APF ENERGY TRUST

2002 ANNUAL REPORT

TRUST PROFILE

APF Energy Trust is a **dynamic, growth oriented,** open-ended royalty trust created in December 1996 to provide unitholders with **stable** distributions based on cash flow generated from **high quality** oil and gas properties located in Western Canada.

Through **strong acquisitions** and **effective optimization initiatives,** APF has increased production by more than **600%,** from 1,707 boe/d in the fourth quarter of 1996 to more than 12,000 boe/d at March 2003. Since completing its **initial public offering at $10** per unit, the Trust has declared cumulative distributions of **$12.32** per unit to March 2003, rewarding unitholders with an internal rate of return of **21%.**

CONTENTS

ANNUAL AND SPECIAL MEETING

The annual and special meeting of unitholders of APF Energy Trust will be held on Wednesday, June 11, 2003 at 3:00 p.m. in the Roxy Theatre at the Sun Life Conference Center (mezzanine level), 140-4th Avenue S.W., Calgary, Alberta.

Strong Acquisitions

- Purchased Kinwest Resources Inc., and Paddle River assets for aggregate consideration of $82.2 million
- Added production at $28,758 per flowing boe
- Added reserves at $7.80 per boe

and

Effective Development

- Brought on production at $6,704 per flowing boe
- Developed producing reserves at $6.26 per boe
- Replaced 130% of production through the drill bit and optimization

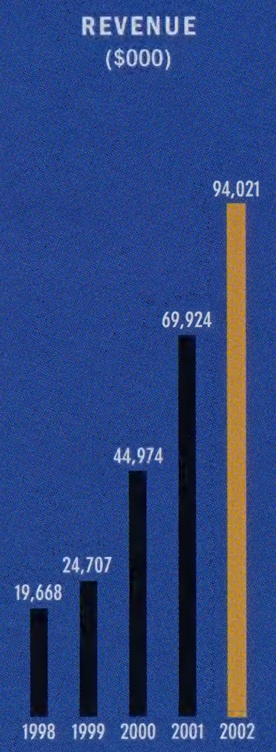
deliver

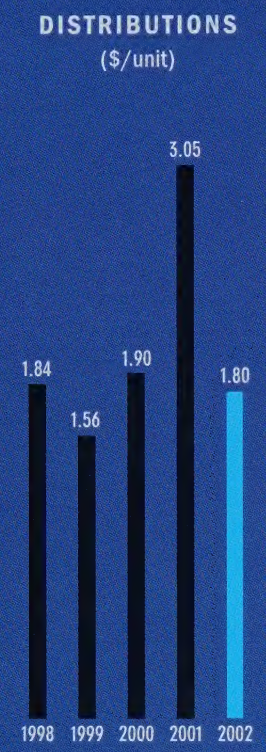
Top Performance

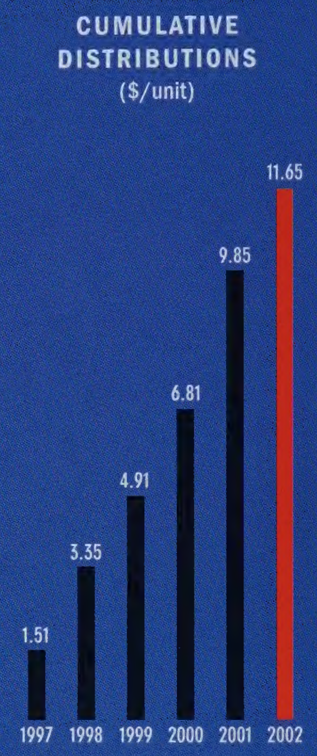
- Generated 18% total return during the year
- Paid out original $10 unit in five years
- Top quartile performer since inception

2002

FINANCIAL HIGHLIGHTS

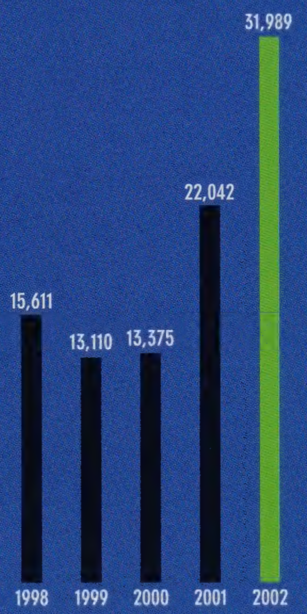


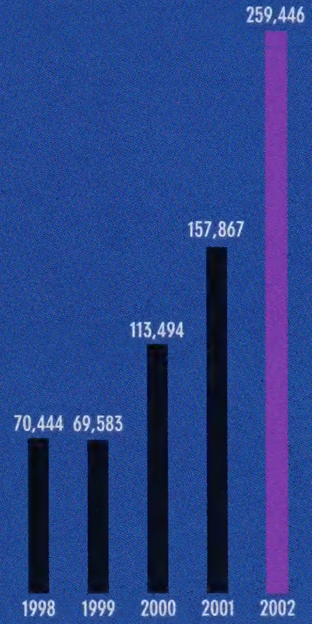




($000 except per unit/boe amounts)	2002	2001	% Change
Revenue	94,021	69,924	34
Per unit	4.59	5.56	(17)
Net operating income	55,566	43,474	28
Per unit	2.71	3.46	(22)
Operating cash flow	43,788	33,995	29
Per unit	2.14	2.70	(21)
Net earnings	11,365	18,144	(37)
Per unit	0.55	1.44	(62)
Distributions	37,766	37,311	1
Per unit	1.81	2.98	(39)
Operating costs per boe	6.35	6.15	3
Operating netbacks per boe	17.83	20.42	(13)
Bank debt	88,000	59,250	49
Market			
Units outstanding (000)			
End of period	22,942	15,584	47
Average	20,470	12,578	63
Trading			
High ($)	11.19	13.40	(16)
Low ($)	9.00	8.75	3
Close ($)	9.79	9.85	(1)
Average daily volume	68,700	46,500	48

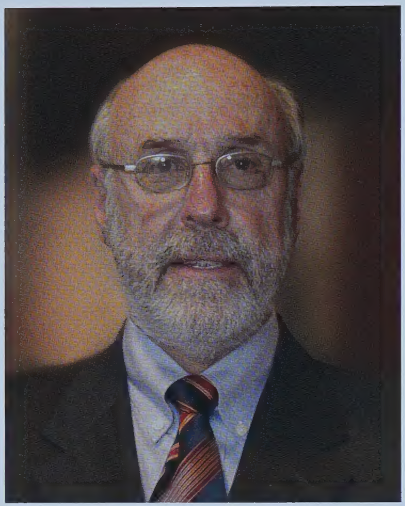
OPERATIONAL HIGHLIGHTS





	2002	2001	% Change
Daily Production (Average)			
Oil (bbl)	5,307	3,167	68
Gas (mcf)	18,488	15,391	20
NGLs (bbl)	144	100	44
Total (boe)	8,532	5,832	46
Annual (mboe)	3,114	2,129	46
Production Split			
Oil and NGLs	64%	56%	14
Gas	36%	44%	(18)
Commodity Prices ($)			
Oil (bbl)	33.66	33.64	0
Gas (mcf)	3.83	4.94	(22)
NGLs (bbl)	25.15	30.97	(19)
Average (boe)	29.65	31.94	(7)
Established Reserves			
Oil & NGLs (mbbl)	20,608	13,545	52
Gas (mmcf)	68,290	50,984	34
Total	31,989	22,042	45
Value discounted @ 10% ($000)	259,446	157,867	64

MESSAGE TO UNITHOLDERS



Martin Hislop
Chief Executive Officer

2002 marked another successful year for APF. We applied our continued discipline of buying well and developing effectively and generated a total return of 18%, bringing the Trust's internal rate of return to 21%. This positions APF among the leaders in the royalty trust sector.

Equity Issues ($)	Dec-96	Dec-98	Mar-00	Mar-01	Apr-01	Jun-01	Oct-01	Feb-02	May-02
Issue price	(10.00)	(8.00)	(7.30)	(10.00)	(10.05)	(11.50)	(9.55)	(9.75)	(10.15)
Current market price (1)	10.47	10.47	10.47	10.47	10.47	10.47	10.47	10.47	10.47
Capital appreciation	0.47	2.47	3.17	0.47	0.42	(1.03)	0.92	0.72	0.32
Distributions declared (2)	12.32	8.97	7.04	4.80	4.57	3.97	2.87	2.17	1.72
Total return	12.79	11.44	10.21	5.27	4.99	2.64	3.59	2.89	2.04
Annualized IRR	21%	33%	47%	29%	28%	16%	29%	27%	24%

(1) Closing March 17, 2003

(2) From issue date to March 2003 declared distribution

CORPORATE DEVELOPMENT

During the year, APF's Corporate Development team executed $90.1 million worth of acquisitions through a combination of corporate and asset transactions. Building on the platform APF established in southeast Saskatchewan in 2001, APF acquired Kinwest Resources and the assets of its joint venture partner in a total transaction valued at $59.5 million. The acquisition added 2,000 boe/d of production in southeast Saskatchewan and firmly established APF as a significant player in the area.

The other material transaction was the acquisition of gas assets at Paddle River, in central Alberta, for $22.7 million in mid-December. In order to balance our growing oil production in southeast Saskatchewan and to complement our production base in this gas-prone area, APF strategically targeted merger and acquisition opportunities. The Paddle River property is in proximity to APF's core properties at Sakwatamau and Redwater.

The net result of these activities was a strengthening of our light oil business in southeast Saskatchewan, with a balanced expansion into gas assets in central Alberta.

APF's two largest acquisitions, which accounted for $82.2 million or 91% of total acquisitions, were purchased at an average price of $28,758 per flowing boe and $7.80 per boe in the ground, versus a two-year industry average of $31,901 and $9.83, respectively. In short, APF continued to buy well.

During the latter part of the year APF divested approximately $9.0 million of minor properties. These low working interest, non-operated assets had average production of approximately 318 boe/d. These properties were divested at $28,300 per flowing boe and $10.73 per boe in the ground.

Steven Cloutier
President and Chief Operating Officer

DRILLING AND OPTIMIZATION

The other component to the APF business plan was the continued effective development of our asset base, a trait for which APF has become well known over the years. APF has the largest proportion of operated properties among the royalty trust sector, at more than 90%. We continued to initiate and execute development and optimization strategies that allowed us, for the third consecutive year, to entirely replace what we produced through low-risk drilling and other production enhancement techniques. As a trust, we believe that unitholders place a high degree of importance on our ability to maintain our asset base, as this secures the stability of distributions going forward.

Such an achievement is the result of three components: acquisition of assets that provide a quality inventory of development opportunities; the retention of a portion of our cash flow to fund these initiatives; and the high degree of skill brought to the table by APF's technical team. These were the tools that allowed us to effectively develop our asset base.

EQUITY FINANCINGS

In February 2002, APF completed a $31.7 million equity issue, taking advantage of strong demand for our units. The Trust issued 3.25 million units at $9.75 per trust unit. The proceeds were initially used to repay bank debt, and to provide a future source of funding for APF's drilling program and acquisitions. Our unitholders did not have to wait long to see their capital deployed. In April, APF announced the purchase of Kinwest. As part of that transaction, APF also issued 3.39 million units at a deemed price of $10.15 per trust unit to the shareholders of Kinwest and its joint venture partner.

In aggregate, the Trust raised $66.1 million of equity at an average price of $9.95 per unit in 2002.

INTERNALIZATION OF MANAGEMENT

During 2002, many trusts, including APF, began to review their management structures, specifically the way in which third party managers were compensated. As a result, a number of trusts completed transactions whereby the public entities purchased the shares of the private companies managing the business, thereby eliminating all management fees. On October 30, APF Energy Trust announced that it had reached an agreement with APF Energy Management Inc. (the "Manager") to purchase all of the common shares of the

Manager for \$9.25 million, before adjustments for positive working capital. The transaction, which was voted in favour by 97% of unitholders, closed on January 3, 2003. The trend has continued this year, with a number of similar internalization transactions either completed or pending. The result for APF is a simplified corporate structure.

OUTLOOK

Going forward, the plan is to continue to apply the formula that has made APF one of the most successful royalty trusts: to identify, evaluate and execute acquisitions that add value and opportunity. The challenge, as it has always been, is to find the right ones. Currently, commodity prices are at high levels, making it generally more difficult to find undervalued companies and properties. But that really does not represent much of a departure from the environment that has existed since APF was created in late 1996. We are still waiting for a buyer's market.

We have always stated that APF will stay out of the merger and acquisition market if prices become overheated and we are committed to retain that discipline. In the meantime, APF will harvest its inventory of opportunities and strive to replace its production through the drill bit.

We want to thank our employees for their dedication and hard work during the year and our Board of Directors for their guidance.

SUBSEQUENT EVENTS

On February 5, 2003, APF completed the acquisition of Hawk Oil Inc., a Calgary-based gas-leveraged producer with 2,700 boe of daily production, for a total cost of \$49.8 million. The acquisition further increased APF's presence in the central Alberta gas trend, increasing daily production to approximately 12,500 boe and raising our gas weighting to about 43%. The purchase also came with approximately 32,000 net acres of undeveloped land and an extensive proprietary seismic database.

With the momentum created by the Hawk purchase, APF did not stay on the side lines for very long. On March 10, 2003, we announced an agreement to purchase the shares of Nycan Energy Corp. which closed on April 23, 2003 in a transaction valued at \$41.9 million. With yet a further addition to APF's gas inventory, adjacent to our core property at Countess in southeast Alberta, the acquisition added approximately 1,265 boe/d of production. To finance the all-cash purchase price, the Trust completed a \$55.1 million equity issue at \$10.40 per unit. The financing closed on April 2, 2003 and resulted in the issuance of 5.3 million units. At the time of printing this report, APF Energy Trust had 32.2 million units outstanding.

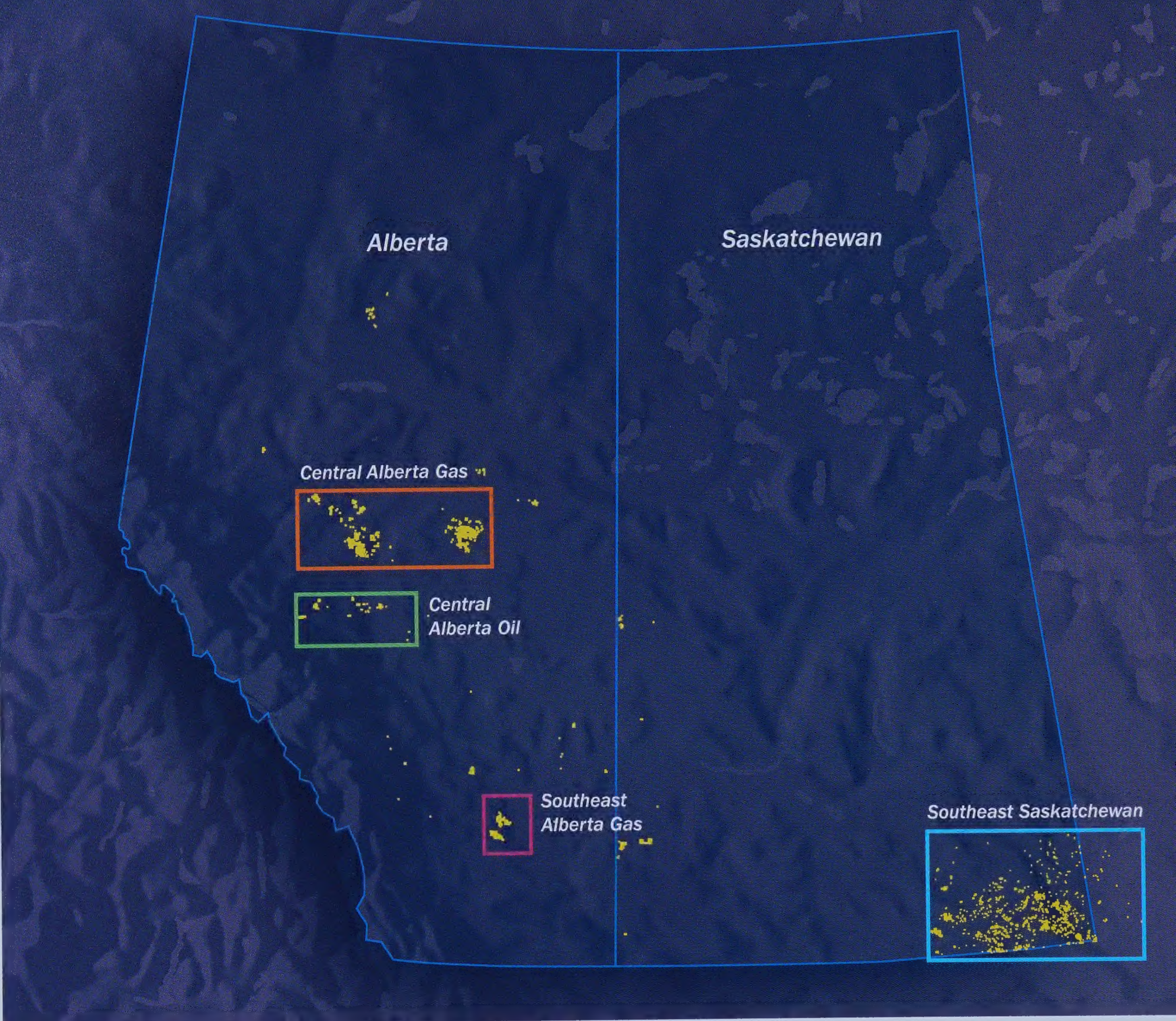
Martin Hislop
Chief Executive Officer

Steven Cloutier
President and Chief Operating Officer

April 28, 2003
Calgary, Alberta

OPERATIONS REVIEW

CORE PROPERTIES



	Established Reserves (mboe)	(%)
Southeast Saskatchewan	14,283	45
Central Alberta oil	6,746	21
Southeast Alberta gas	5,804	18
Central Alberta gas	5,156	16
Total	31,989	100

As per Gilbert Laustsen Jung Associates Ltd. (GLJ) report, at January 1, 2003

COUNTESS & LECKIE (SOUTHEAST ALBERTA GAS)

Bonnie Nicol,
Vice President, Operations

The Countess area, which is comprised of both the Countess and Leckie properties, contributes production from a total of 375 natural gas wells. APF has an average working interest of 75.2% in 24,960 acres of land at Countess. At Leckie, APF has a 100% working interest in 22,880 acres of land and a 100% interest in a compressor station. Dry natural gas is produced from the shallow sands of the Belly River, Milk River and Medicine Hat formations. The gas is gathered, dehydrated and compressed in the field and sold under a long-term contract to TransCanada Gas Services. In addition, APF receives custom compression revenue from surplus capacity in two 720-horsepower compressors.

Future development of this shallow gas region consists of downspacing from the current 160 acres per well to 80 acres. Wells in the area are drilled with coiled tubing to an average depth of 1,800 feet at a cost of $130,000. Since acquiring the property in 1996, APF has drilled a total of 76 wells, with plans to drill another 40 to 45 wells in 2003.

PEMBINA (CENTRAL ALBERTA OIL)

APF has interests in five Pembina Cardium Units located approximately 116 kilometres southwest of Edmonton, including 100% working interest and operatorship of Champlin-Peruvian Cardium Unit No. 1 and Pembina Cardium Unit No. 20. APF holds non-operated working interests of 7.35% in Pembina Cardium Unit No. 12, 6.78% in Pembina Cardium Unit No. 9, and 1.26% in North Pembina Cardium Unit No. 1.

Light crude oil is produced from a total 581 wells under waterflood programs in the Cardium formation. Oil is treated at batteries associated with each unit and solution gas is gathered and processed through APF's share of the Pembalta gathering system.

Future development plans in these mature oil fields include further downspacing as well as the realignment of water injector wells to improve sweep efficiency.

REDWATER (CENTRAL ALBERTA GAS)

The Redwater area is located northeast of Edmonton, Alberta. APF has an average 60% working interest in 69 producing wells that cover approximately 184 sections of land. Dry natural gas is produced from the Wabamun, Detrital, Basal Quartz, Glauconitic, Sparky, Colony and Second White Specks zones. The production is sold under a combination of short and long-term gas contracts, as well as the spot market.

Future development of this area consists primarily of new drills and recompletions for bypassed pay in the Cretaceous formations which are characterized by multi-zone potential. For 2003, APF intends to add inlet compression to the facilities, and drill or recomplete 12 to 16 wells, relying on a combination of geological and seismic data to improve drilling success.

PADDLE RIVER (CENTRAL ALBERTA GAS)

APF has an average working interest of 39% in 34 wells producing primarily from the Pekisko and Nordegg zones, with secondary production from the Viking and Basal Quartz. The area is easily accessible and near major oil and gas infrastructure. Anselmo, Greencourt, Whitecourt, Corbett and Carson Creek are all included in the Paddle River area. Most of APF's gas in the area is processed through owned capacity in the Paddle River gas plant.

With the application of APF's significant seismic database, the 2003 development plan consists of two new drills as well as the installation of additional inlet compression.

SOUTHEAST SASKATCHEWAN

APF increased its holdings in its largest core area with the $59.5 million acquisition of Kinwest Resources and its joint venture partner. Currently APF derives approximately 35% of its total production from southeast Saskatchewan, operates 90% of this production and has ownership in the infrastructure in each of the major areas. Most of APF's oil pools receive pressure support from a regional acquifier. APF's development program since 2001 has primarily been through the drilling of horizontal wells.

APF will continue to optimize known Mississippian oil pools through horizontal drilling, leveraging off its strong geological and geophysical expertise. In 2003, APF plans to drill another 13 to 18 horizontal wells, as well as reactivate a waterflood program in one of its pools.

Tatagwa

APF has an average 70% working interest in 50 producing oil wells. Production comes from both the Marly and Vuggy zones of the Midale formation. APF also holds an 80% working interest in the central oil battery and water disposal facility and receives processing income from third parties using the facility.

Queensdale

APF holds an average working interest of 75% in 47 oil wells producing from the Frobisher-Alida zone. The Trust also has ownership in three central batteries and water disposal facilities in the area.

Carlyle

APF holds an average working interest of 76% in nine wells producing from the Alida zone. The Trust also holds a 90% working interest in a central battery and water disposal facility at the property.

Macoun

APF has an average working interest of 88% in 20 oil wells producing from the Vuggy zone.

DEVELOPMENT AND OPTIMIZATION

The second element of APF's two-part business strategy –managing effectively– has a number of components, but none is more critical to the equation than the development and optimization of the Trust's asset base. Without an efficient capital program, all of APF's success would be pinned on the execution of merger and acquisition opportunities. APF believes its unitholders will take comfort in the fact that the Trust is effectively managing and mitigating the natural decline of its asset base through low-risk drilling and other production enhancement techniques.

During 2002, APF spent $21.6 million on its capital expenditure program, adding 3.4 mmboe of established producing reserves and 3,221 boe per day of production. In total, the Trust participated in drilling 109 wells (46.7 net) and achieved a 100% success rate.

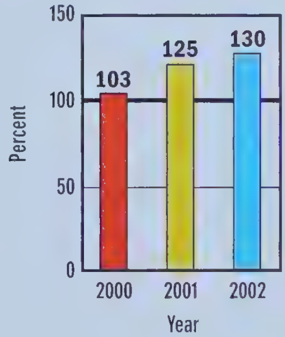
The bulk of the development effort was directed at two areas: light oil in southeast Saskatchewan and shallow gas in southeast Alberta.

In southeast Saskatchewan, $10.0 million was spent principally on drilling APF's operated properties at Carlyle, Queensdale and Tatagwa. The development strategy continues to be the exploitation of known oil pools through horizontal drilling, targeting the Alida and Midale formations.

In Alberta, total capital expenditures amounted to $11.6 million. Major projects included drilling wells on reduced spacing in the Medicine Hat and Milk River formations at Countess and Cardium oil wells in Pembina, and recompletion and drilling activity within multi-zones at Redwater.

John Ewing,
Vice President, GeoScience

PRODUCTION REPLACEMENT HISTORY



Percentage of production replaced through low risk drilling and other production enhancement techniques only (excluding acquisitions).

For 2003, APF has approved a capital budget of approximately $20 million, before making any adjustments for recently acquired assets that bring drilling opportunities. Factoring these low-risk development projects into the budget may result in incremental expenditures of between $3 million and $7 million.

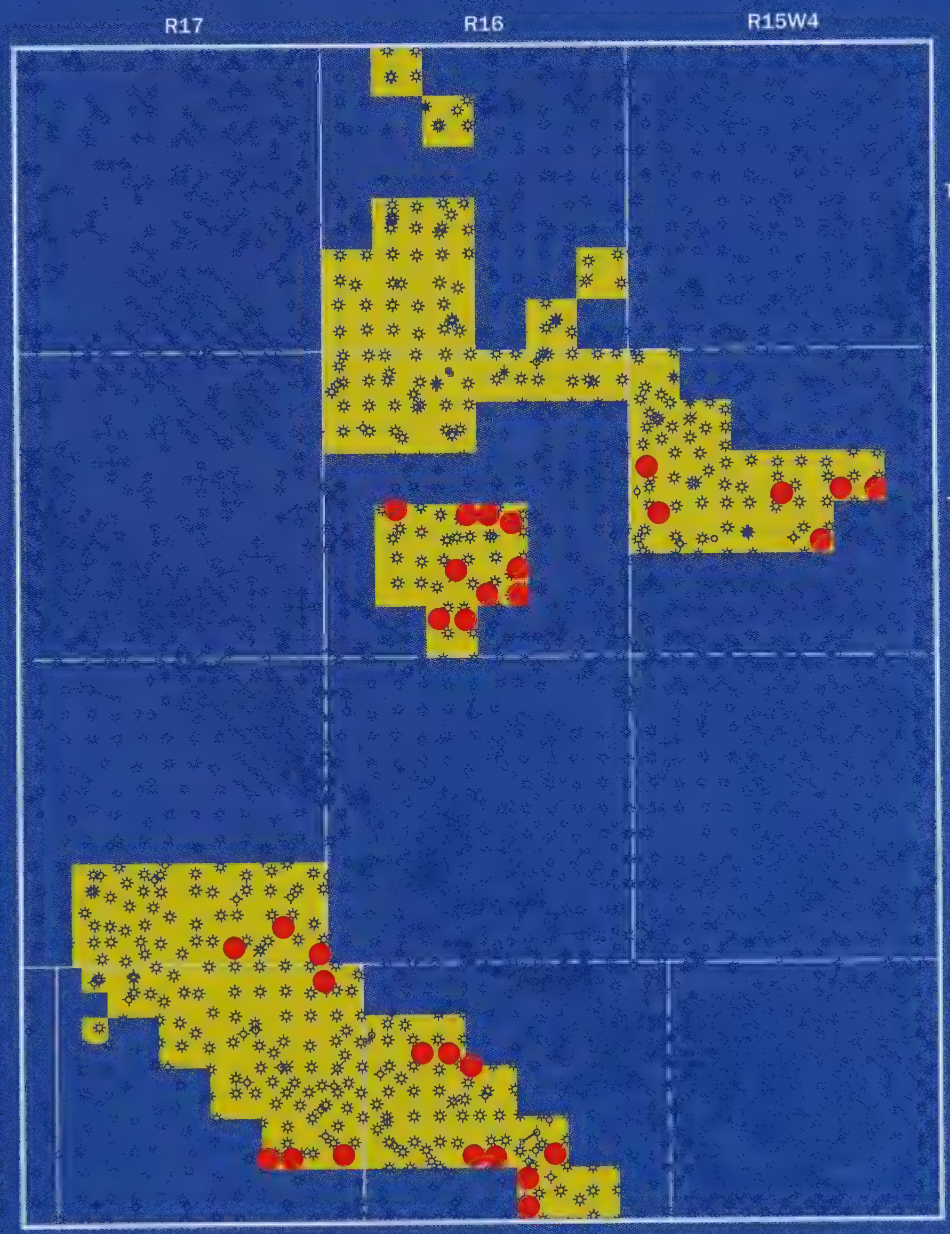
As in past years, APF's goal will be to entirely replace 2003 production through the drill bit and other production enhancement techniques.

DRILLING HISTORY

The following table sets forth APF's drilling activity for the periods indicated.

Years Ended December 31	2002		2001		2000		1999	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net
Oil wells	40	12.0	40	8.9	33	3.2	17	1.0
Gas wells	62	33.0	33	31.3	65	14.8	6	6.0
Other	7	1.7	1	0.1	27	0.5	38	0.7
Dry and abandoned	–	–	2	2.0	–	–	14	0.1
Total	109	46.7	76	42.2	125	18.5	75	7.8
Success Rate		100%		95%		100%		99%

COUNTESS-LECKIE, SOUTHEAST ALBERTA



2002 APF-drilled gas well   APF lands

COUNTESS

Product: Sweet Natural Gas

Producing Zones: Milk River and Medicine Hat

Year Acquired: 1996 - 97

Net Undeveloped Land: 245 acres

Avg. Working Interest: 87% (operated)

Avg. 2002 Production: 1,500 boe/d

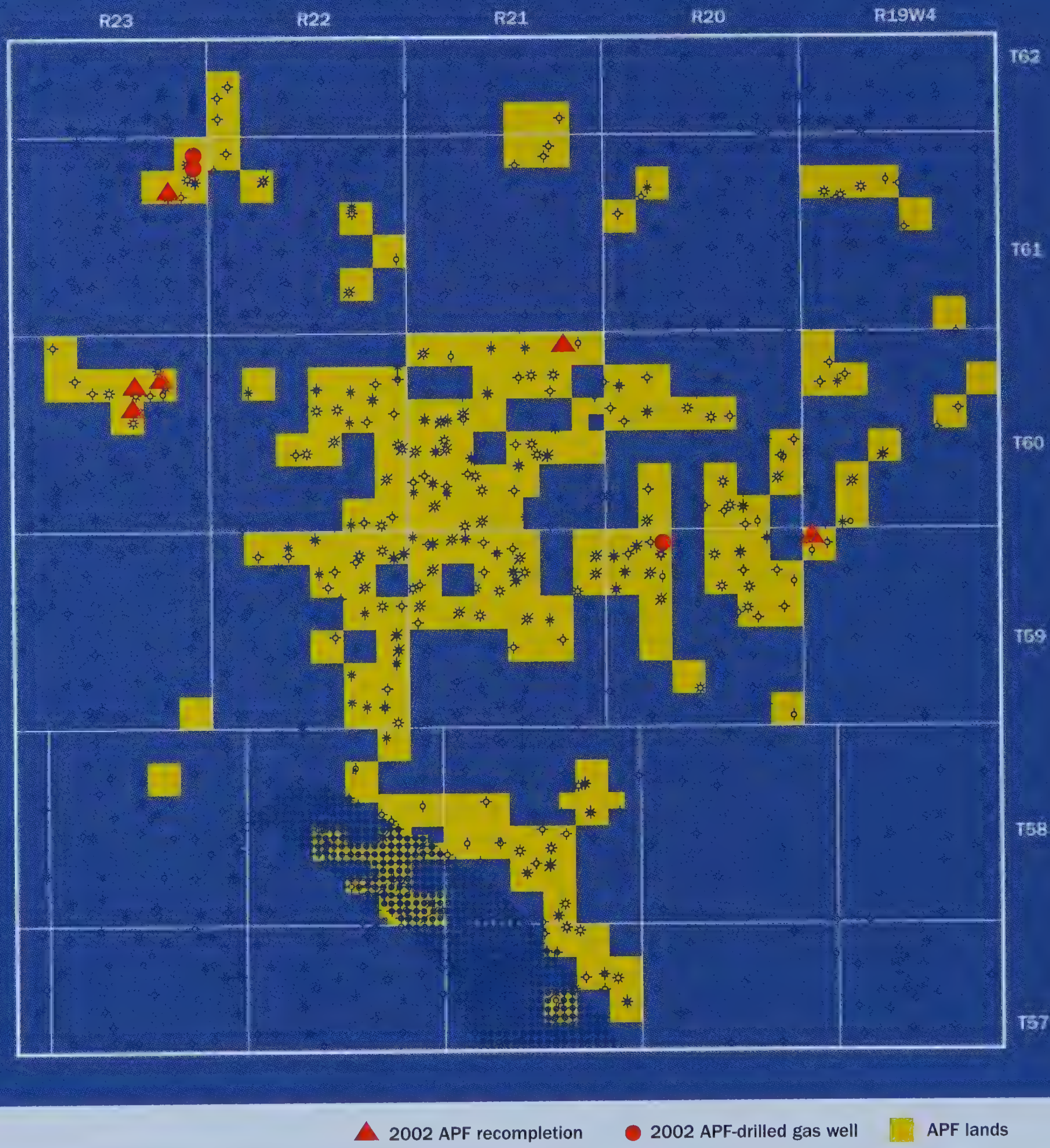
2002 Capital Expenditures: $5.7 million

Developed Hydrocarbons at:

$15,600 per flowing boe

$6.00 per boe of reserves

REDWATER, CENTRAL ALBERTA



REDWATER

Product: Sweet Natural Gas

Producing Zones: Wabamun, Detrital, Basal Quartz, Glauconitic, Sparky, Colony and Second White Specks

Year Acquired: 2000

Net Undeveloped Land: 36,600 acres

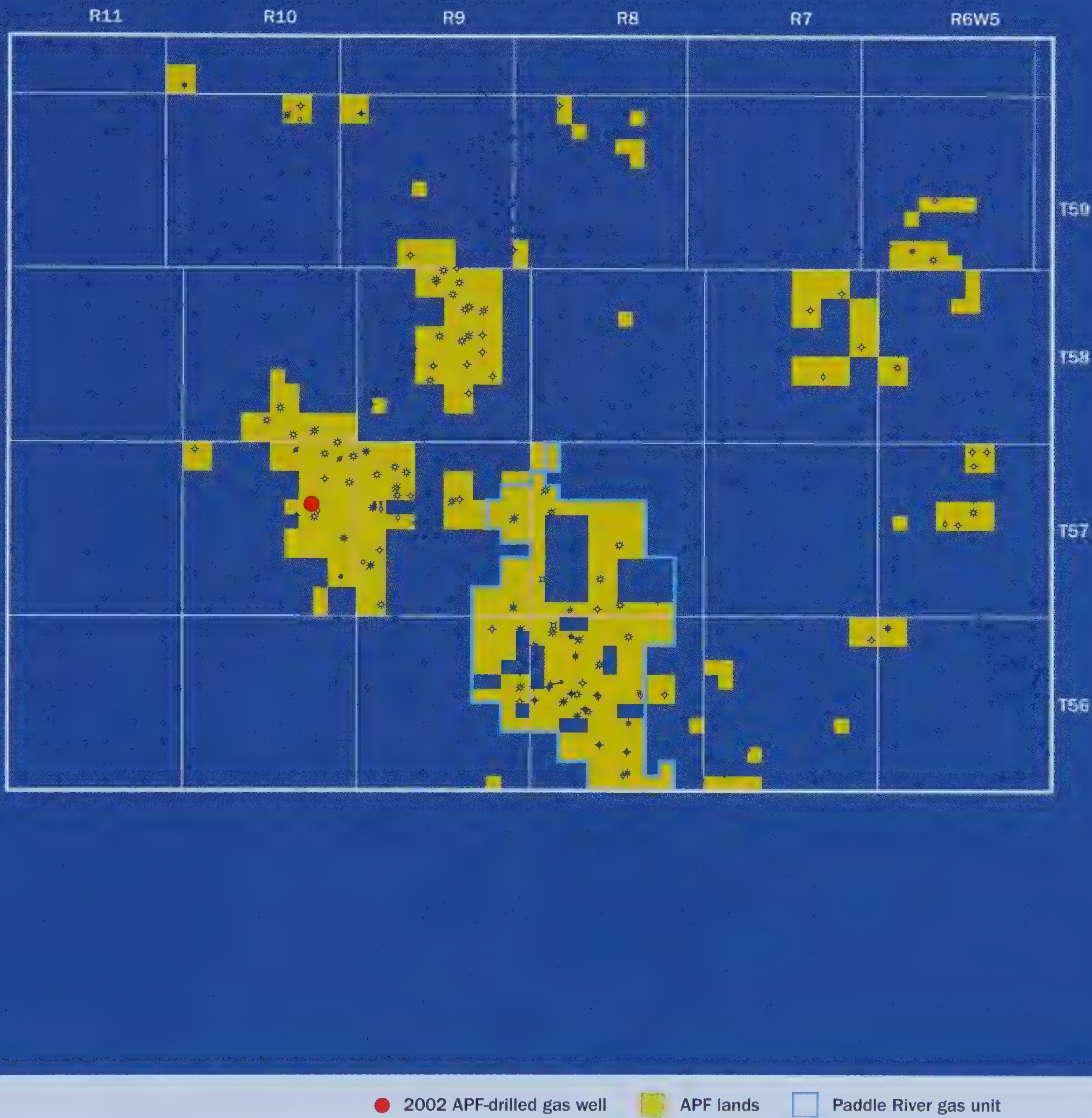
Avg. Working Interest: 60% (operated, non operated)

Avg. 2002 Production: 815 boe/d

2002 Capital Expenditures: $1.7 million

Developed Hydrocarbons at:
$3,900 per flowing boe
$3.50 per boe of reserves

PADDLE RIVER, CENTRAL ALBERTA



PADDLE RIVER

Product: Gas and NGLs

Producing Zones: Pekisko, Nordegg, Viking and Basal Quartz

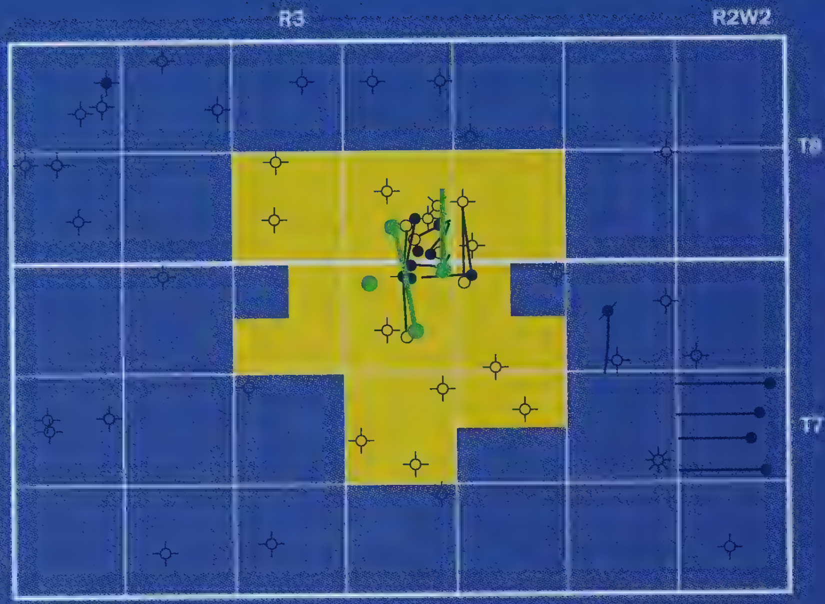
Year Acquired: 2002 (December)

Net Undeveloped Land: 21,900 acres

Avg. Working Interest: 39% (operated, non-operated)

Dec. 2002 Production: 470 boe/d

CARLYLE



CARLYLE

Product: Light Oil

Producing Zones: Alida

Year Acquired: 2001

Net Undeveloped Land: 5,100 acres

Avg. Working Interest: 76% (operated)

Avg. 2002 Production: 340 boe/d

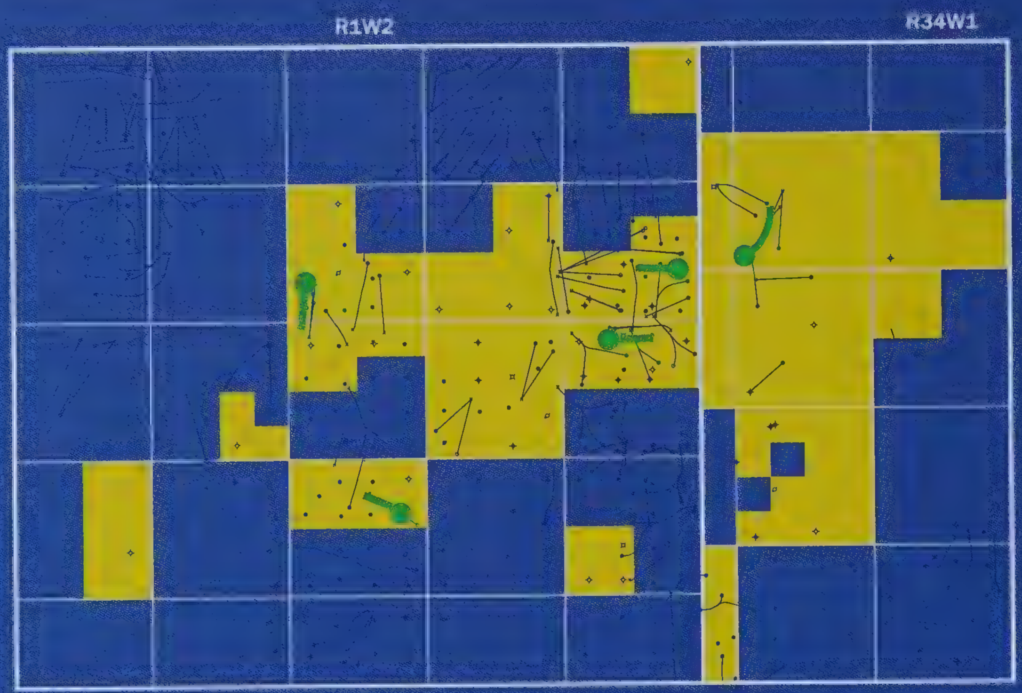
2002 Capital Expenditures: $2.4 millio

Added Hydrocarbons at:

$4,300 per flowing boe

$8.30 per boe of reserves

QUEENSDALE



2002 APF-drilled oil well   horizontal well   APF lands

QUEENSDALE

Product: Light Oil

Producing Zone: Alida

Year Acquired: 2001

Net Undeveloped Land: 1,900 acres

Avg. Working Interest: 75% (operated)

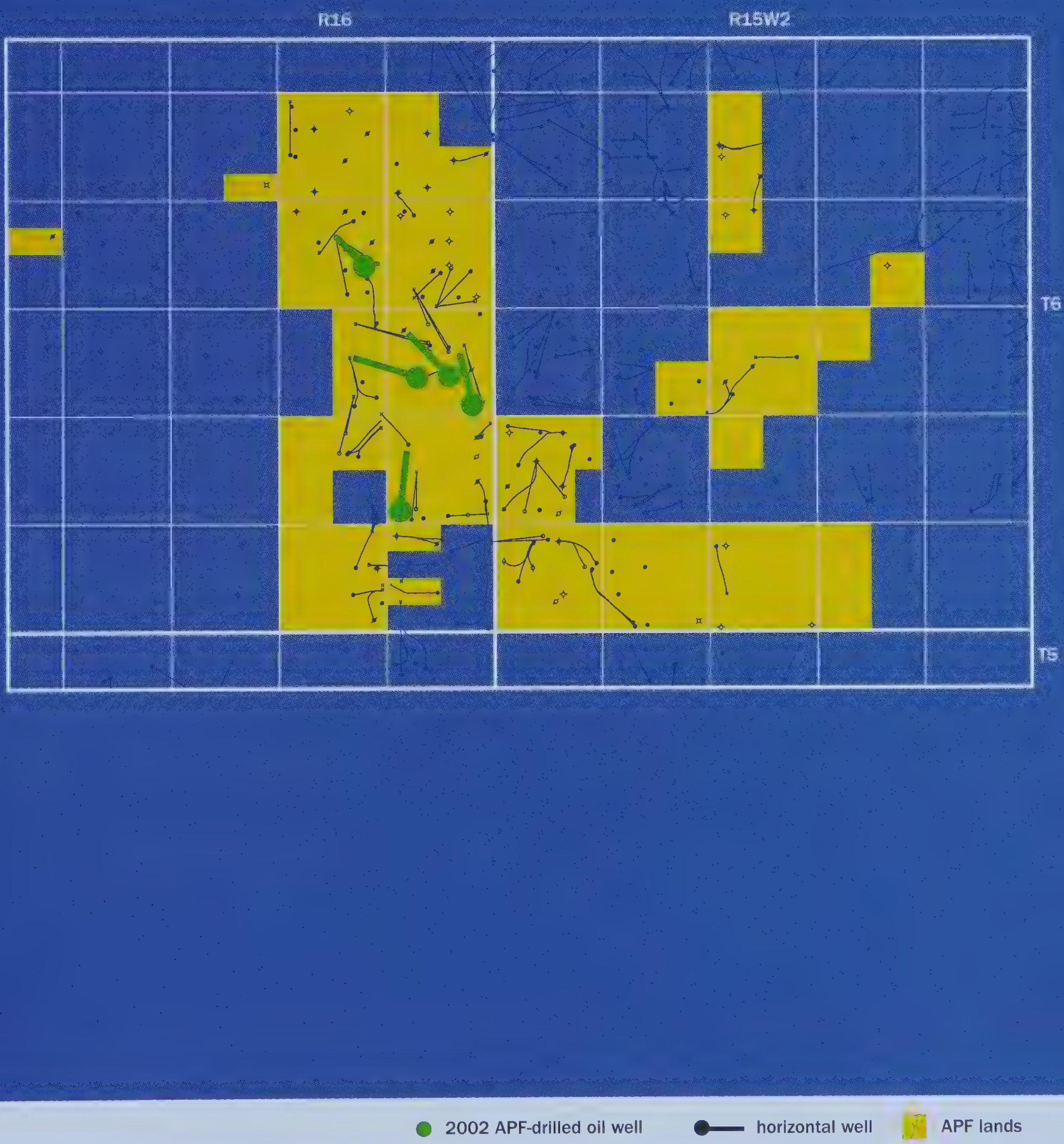
Avg. 2002 Production: 1,020 boe/d

2002 Capital Expenditures: $2.7 million

Developed Hydrocarbons at:

$3,900 per flowing boe

$6.45 per boe of reserves



TATAGWA

Product: Medium Oil

Producing Zones: Midale Marly and Vuggy

Year Acquired: 2001

Net Undeveloped Land: 2,100 acres

Avg. Working Interest: 70% (operated)

Avg. 2002 Production: 850 boe/d

2002 Capital Expenditures: $3.1 million

Developed Hydrocarbons at:

$6,100 per flowing boe

$8.90 per boe of reserves

CORPORATE DEVELOPMENT

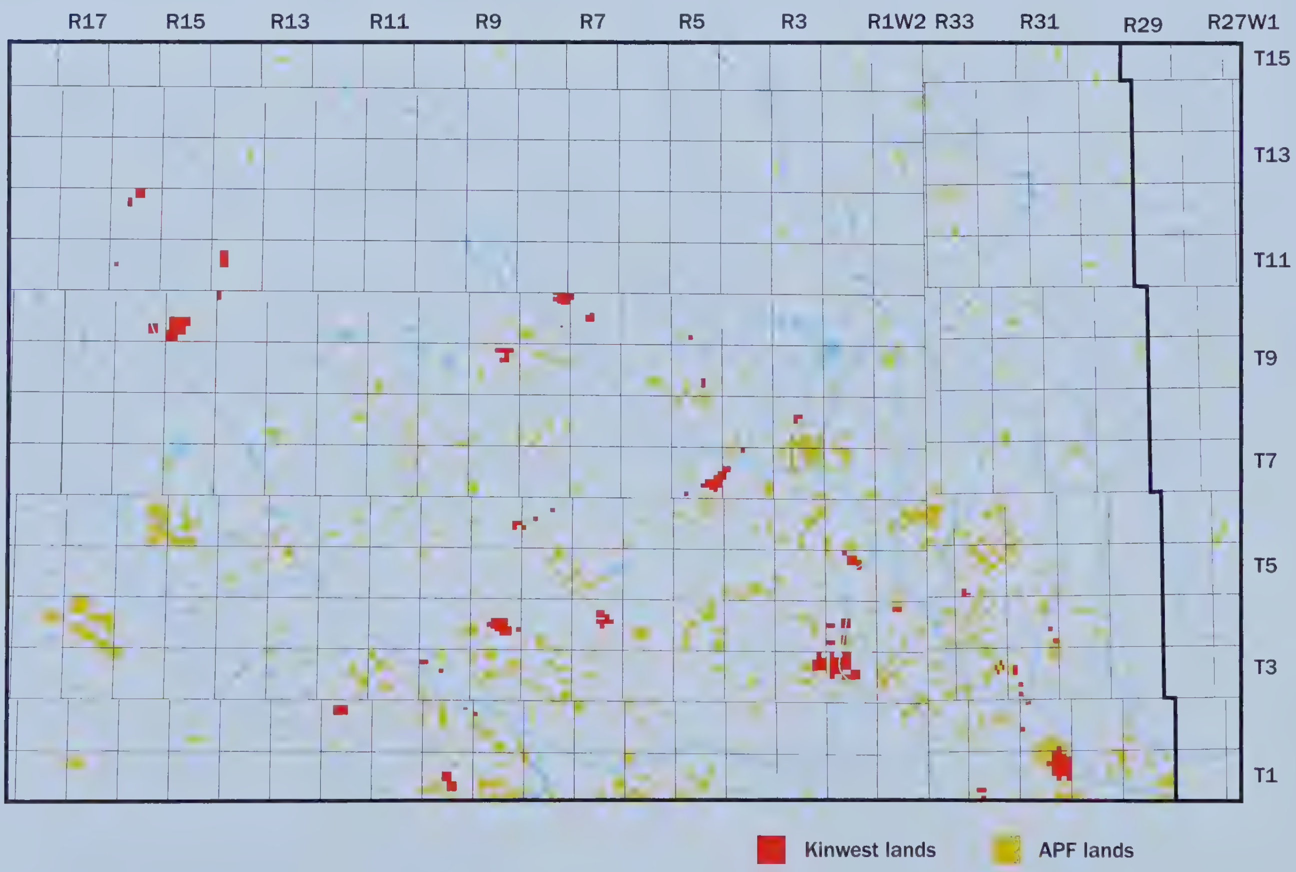
During 2002, the Corporate Development team completed both corporate and asset acquisitions, as well as rationalized non-strategic components of APF's asset base. In total, APF executed $90.1 million worth of transactions expanding on its existing core areas of operations. In southeast Saskatchewan, APF added approximately 2,000 boe/d of production, while APF's central Alberta gas area saw a boost of approximately 860 boe/d of production, the details of which are summarized below.

R. Kenneth Pretty, Vice President, Corporate Development & Land

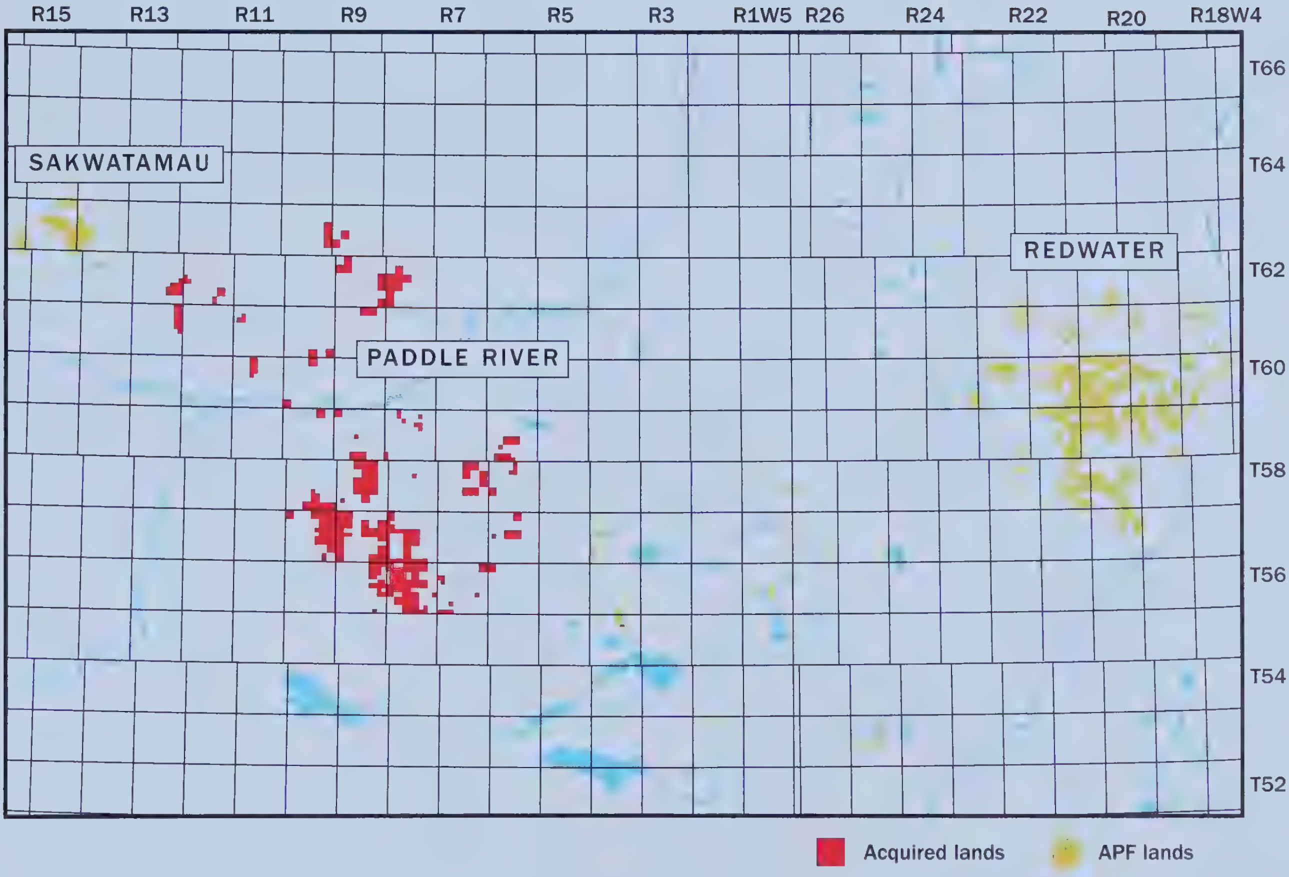
ACQUISITION OF KINWEST RESOURCES INC.

On May 30, 2002 APF completed the acquisition of Kinwest Resources Inc. and its joint venture partner for aggregate consideration of $59.5 million. The transaction added approximately 2,000 boe/d of production, comprised of 1,800 bbl/d of light oil (90%), and 1,300 mcf/d of natural gas (10%), predominantly in APF's core area of southeast Saskatchewan.

The assets have an average 40% working interest and include oil interests in Alameda, Arcola, Buffalo Head, Handsworth, Macoun, and Workman, and natural gas interests in Peco and Nipac. APF has operatorship of approximately 85% of these assets.



ACQUISITION OF PADDLE RIVER PROPERTY



On December 12, 2002 APF completed the acquisition of assets at Paddle River in west central Alberta for $22.7 million. The acquisition added approximately 860 boe/d of production, comprised of 4,200 mcf/d of natural gas (81%) and 160 bbl/d of liquids (19%). Paddle River, proximal to APF's Sakwatamau property, is characterized by year-round access and low operating costs, and is located near major oil and gas infrastructure. The assets have an average 39% working interest in 34 producing wells, including the Anselmo, Greencourt, Whitecourt, Corbett and Carson Creek areas. The transaction also included approximately 44,000 net acres of undeveloped land.

SUBSEQUENT EVENTS

Acquisition of Hawk Oil Inc.

On February 5, 2003 APF completed the acquisition of Hawk Oil Inc., a Calgary-based gas-leveraged company with 2,700 boe/d of production consisting of 9,300 mcf/d of natural gas (57%) and 1,150 of oil (43%) for a total cost of $49.8 million. The acquisition further increases APF's presence in central Alberta. The assets have an average 98% working interest and include production at APF's core area of Paddle River and gas properties at Vermillion and Holmberg. The acquisition also brings with it heavy oil in the Lloydminster and Epping areas of Saskatchewan. Virtually all the production is operated by APF, further increasing the Trust's operatorship to more than 90%. The transaction also came with approximately 32,000 net acres of undeveloped land and an extensive proprietary seismic database.

Hawk's oil and gas assets were evaluated by Gilbert Laustsen Jung Associates Ltd. in a report effective October 1, 2002, a summary of which is set out below.

Reserve Category	Natural Gas (mmcf)	Oil + NGLs (mbbl)	Total (mboe)
Proved producing	7,867	1,612	2,923
Total proved	11,717	3,747	5,700
Proved + probable	16,920	5,608	8,428
Established	14,319	4,678	7,064

Note: Numbers may not add due to rounding

Acquisition of Nycan Energy Corp.

On April 23, 2003 APF completed the acquisition of Nycan Energy Corp., a Calgary-based gas-leveraged producer with approximately 1,265 boe/d of production consisting of 5,700 mcf/d of gas (75%) and 315 bbl/d of oil and natural gas liquids (25%) for a total cost of $41.9 million. The acquisition complements the Trust's existing asset base in southeast Alberta and raises APF's gas weighting to 45%. The major gas assets include properties at Carmangay, Enchant, Little Bow, Long Coulee, Retlaw and Turin. Approximately 65% of daily production is operated by APF. The acquisition also includes approximately 58,000 net undeveloped acres of land. Nycan's oil and gas assets were evaluated by Ashton Jenkins Mann Petroleum Consultants in a report effective October 1, 2002, a summary of which is set out below.

Reserve Category	Natural Gas (mmcf)	Oil + NGLs (mbbl)	Total (mboe)
Proved producing	12,328	461	2,516
Total proved	21,813	722	4,358
Proved + probable	30,994	1,218	6,384
Established	26,404	970	5,371

Note: Numbers may not add due to rounding

Divestiture Activity

After a review of its asset base in the first part of the year, APF divested $9.0 million worth of low working interest, non-operated assets during the third quarter of 2002. The properties had an aggregate year-to-date production of approximately 318 boe/d.

The following table provides a summary of APF's significant acquisitions and divestitures, and demonstrates APF's ability to sell non-strategic assets at top dollar.

Transaction	Type	Month	Total Value ($000)	Total Production (boe/d)	Established Reserves (mboe)	Metrics $/boe/d	Metrics $/boe
Acquisition							
Kinwest	Corp.	May-02	59,500	2,000	7,950	29,750	7.48
Paddle River	Asset	Dec-02	22,700	860	2,594	26,395	8.75
Hawk	Corp.	Feb-03	49,800	2,700	7,064	18,444	7.05
Nycan	Corp.	Apr-03	41,900	1,265	5,371	33,123	7.80
Total			173,900	6,825	22,979	25,480	7.57
Divestiture	Asset	Sep-02	9,000	318	839	28,300	10.73

MERGERS, ACQUISITIONS & DEVELOPMENT: HISTORICAL DEPLOYMENT OF CAPITAL

Since inception, APF has demonstrated the ability to acquire and develop reserves at very attractive rates. The following table illustrates the efficiency of APF's capital program, followed by a breakdown of the capital expenditures for the years indicated.

Efficiency of the Capital Program

	2002	2001	2000	1999	1998
Operating netback ($/boe) (1)	17.83	20.42	21.28	10.11	7.31
F&D costs ($/boe) (2)	7.74	10.73	4.16	7.81	4.30
Recycle ratio (3)	2.30	1.90	5.12	1.29	1.70
Cumulative F&D costs since inception ($/boe)	7.11	6.82	4.57	4.61	4.49

(1) *Defined as total revenue less royalties and operating costs.*

(2) *Finding and development costs (F&D) represent acquisition + drilling and development costs net of divestitures per established reserve additions.*

(3) *The recycle ratio is a key measure of the efficiency in which new reserves are added. It is defined as the operating netback divided by the F&D costs.*

Capital Expenditures

The following table summarizes APF's capital expenditures for the years indicated.

Years Ended December 31	2002	2001	2000	1999	1998
($000)					
Property acquisition	90,101	105,717	13,249	3,895	27,900
Land acquisition	616	239	147	143	130
Seismic	497	208	15	99	62
Drilling and completions	15,890	12,490	3,912	2,232	585
Production facilities	3,684	3,340	1,619	950	500
Other	908	(52)	–	5	(286)
Subtotal	111,696	121,942	18,942	7,324	28,892
Dispositions	(10,569)	(6,903)	(12,393)	(2,326)	(7,334)
Net Capital Expenditures	101,127	115,039	6,549	4,998	21,558

OIL AND NATURAL GAS RESERVES

Gilbert Laustsen Jung Associates Ltd. (GLJ), independent petroleum consultants, prepared a report on the reserves attributable to APF's properties and the present value of the estimated future net cash flow associated with such reserves effective January 1, 2003.

Notes: Gas converted at 6 mcf = 1 boe. NGLs converted at 1 bbl = 1 boe. Established Reserves are 100% of proved reserves plus 50% of probable reserves. The net present value of future cash flow ("NPV") is after deduction of estimated future capital expenditures, royalty burdens, operating expenses and abandonment costs, and before any provision for income taxes, debt service charges and general and administrative expenses. It should not be assumed that the NPV is representative of the fair market value of the assets. NPV is based on GLJ's escalated price forecast as of January 1, 2003, which assumes a base 2003 oil price of US$25.50 per barrel and an AECO price of CDN$5.65 per mmbtu for gas. Reserves are gross company interest reserves before deduction of royalties. Numbers may not add due to rounding.

Reserve Volumes at January 1, 2003

Reserve Category	Natural Gas (mmcf)	Oil (mbbl)	NGLs (mbbl)	Total (mboe)
Proved producing	50,508	14,911	636	23,965
Total proved	59,438	16,684	768	27,359
Proved + probable	77,141	22,836	927	36,620
Established	68,290	19,760	848	31,989

Reserve Values at January 1, 2003

		Net Present Value Discounted at:		
Reserve Category ($000)	0%	10%	12%	15%
Proved producing	334,587	207,960	195,258	179,552
Total proved	379,287	232,816	217,855	199,334
Proved + probable	514,736	286,076	264,793	239,011
Established	447,012	259,446	241,324	219,172

GLJ Forecast at January 1, 2003

Year	Exchange $US/$CDN	WTI Oil $US/bbl	Edmonton Light Oil $CDN/bbl	Alberta Gas $CDN/mmbtu
2003	0.650	25.50	38.50	5.65
2004	0.660	22.00	32.50	5.00
2005	0.670	21.00	30.50	4.70
2006	0.670	21.00	30.50	4.85
2007	0.680	21.25	30.50	4.85

Reconciliation of Reserves

The following table contains a reconciliation of APF's reserves for the most recently completed calendar year.

	Natural Gas (mmcf)		Oil (mbbl)		NGLs (mbbl)		Total (mboe)	
	Proved	Est. (1)	Proved	Est. (1)	Proved	Est. (1)	Proved	Est. (1)
Reserves at January 1, 2002	44,140	50,980	11,258	13,020	482	525	19,100	22,041
Drilling and development	6,940	7,670	1,043	1,381	6	13	2,200	2,672
Technical revisions	3,316	3,228	1,062	898	(44)	(47)	1,573	1,390
Acquisitions	15,050	16,650	5,578	6,757	426	462	8,510	9,994
Divestitures	(3,260)	(3,490)	(320)	(359)	(50)	(53)	(910)	(994)
Production	(6,748)	(6,748)	(1,937)	(1,937)	(52)	(52)	(3,114)	(3,114)
Reserves at January 1, 2003	59,438	68,290	16,684	19,760	768	848	27,359	31,989

Numbers may not add due to rounding

(1) Established

LAND HOLDINGS

In addition to the reserves, GLJ also evaluated APF's 184,715 net acres of undeveloped land at $7.9 million. The value was derived by reference to land sales proximate to APF's undeveloped acreage, APF's applicable working interest, and expiry profile.

	Developed		Undeveloped	
Province	Gross Acres	Net Acres	Gross Acres	Net Acres
Alberta	236,688	133,648	145,585	98,996
Saskatchewan	72,388	34,819	164,657	84,079
Manitoba	640	507	1,893	1,298
British Columbia	1,292	288	1,303	343
Total	311,009	169,263	313,439	184,715

Numbers may not add due to rounding

CORPORATE REVIEW

BUSINESS OBJECTIVES

The goal of APF Energy Trust is to provide unitholders with high and stable cash distributions. To achieve this, the Trust must continually replace and add reserves through acquisitions, drilling and optimization initiatives.

In order to replace reserves and achieve growth, the Trust must be able to identify, evaluate and acquire oil and gas properties. To date, the Trust has demonstrated an ability to complete acquisitions on favorable terms, which have resulted in high and stable distributions for unitholders since inception. On a go-forward basis, APF will continue to use its internal expertise to identify potential acquisitions.

EQUITY ISSUES

On December 17th, 1996, the Trust completed its initial public offering (IPO) of 3.5 million trust units at $10 per trust unit. Since then, the Trust has issued equity several times. A summary of all financings is set out below.

Type	Date	Price ($)	Units (000)	Gross Proceeds ($000)
IPO	Dec-96	10.00	3,500	35,000
New issue	Dec-98	8.00	2,260	18,080
New issue	Mar-00	7.30	1,223	8,928
New issue	Mar-01	10.00	3,301	33,010
Acquisition	Apr-01	10.05	902	9,065
New issue	Jun-01	11.50	3,050	35,075
Private placement	Oct-01	9.55	1,080	10,314
New issue	Feb-02	9.75	3,250	31,688
Acquisition	May-02	10.15	3,385	34,358
Acquisition	Feb-03	9.45	3,990	37,708
New issue	Apr-03	10.40	5,300	55,120
Total			31,240	308,331

DISTRIBUTIONS

Unitholders of record on the record date are entitled to receive monthly distributions. Currently, the record date is the last day of the month. In order to be a unitholder on the record date, units must have been purchased prior to the ex-distribution date, which is two trading days earlier (note that the presence of holidays and weekends may result in the ex-distribution date being more than two calendar days prior to the record date). Units acquired on/or after the ex-distribution date will not qualify for that month's record date, but will qualify for the next record date. Payment to unitholders is made on the 15th day of the following month (note that if the 15th of the month falls on a holiday and/or weekend, the distribution is paid the next business day). As the Trust has an obligation to announce its distribution seven trading days prior to the record date, a news release is generally disseminated between the 18th and 22nd of the month.

Listed below are APF's 2003 key distribution dates followed by a table of historical distributions.

Ex-Distribution Date	Record Date	Payment Date
December 27	December 31	January 15
January 29	January 31	February 17
February 26	February 28	March 17
March 27	March 31	April 15
April 28	April 30	May 15
May 28	May 31	June 16
June 26	June 30	July 15
July 29	July 31	August 15
August 27	August 31	September 15
September 26	September 30	October 15
October 29	October 31	November 17
November 26	November 30	December 15

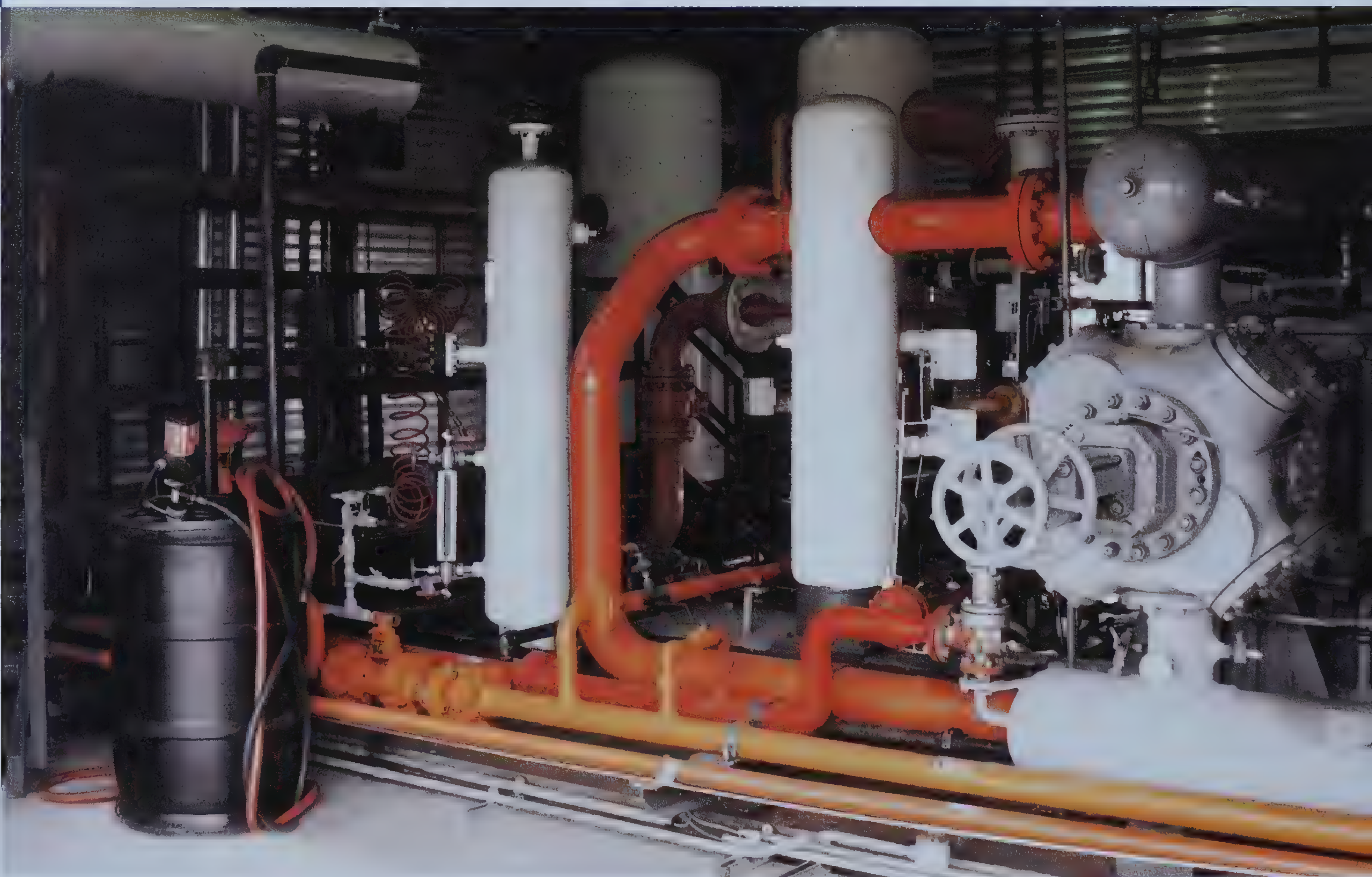
Distribution Date ($)	2003	2002	2001	2000	1999	1998	1997
January 15th	0.160	0.150	0.220	0.125	0.120	0.475	0.210
February 15th	0.160	0.150	0.250	0.125	0.160	–	–
March 15th	0.165	0.150	0.250	0.125	0.120	0.120	–
April 15th	0.185	0.150	0.225	0.125	0.120	0.120	0.455
May 15th		0.150	0.300	0.125	0.160	0.175	–
June 15th		0.150	0.300	0.135	0.120	0.120	–
July 15th		0.150	0.300	0.135	0.120	0.120	0.420
August 15th		0.150	0.300	0.135	0.135	0.175	–
September 15th		0.150	0.250	0.140	0.125	0.120	–
October 15th		0.150	0.250	0.210	0.125	0.120	0.425
November 15th		0.150	0.200	0.210	0.125	0.175	–
December 15th		0.150	0.200	0.310	0.125	0.120	–
Total	0.670	1.800	3.045	1.900	1.555	1.840	1.510
Cumulative	12.320	11.650	9.850	6.805	4.905	3.350	1.510

TAXATION

Each distribution has a component which is a return of capital and a component which is taxable as income. The portion which is a return of capital reduces a unitholder's adjusted cost base. Each year, in the second half of February, the Trust announces its tax treatment of distributions for the previous year. T-3 tax slips showing the taxable portion of the distributions are then provided to registered unitholders, who in turn generate their own T-3 tax slips for dissemination to beneficial unitholders. The following table provides the Trust's tax breakdown of distributions since inception.

	Total Distributions	Income		Return of Capital	
Year	$	$	%	$	%
2002	1.80	1.14	63.52	0.66	36.48
2001	3.05	1.74	57.18	1.30	42.83
2000	1.90	1.18	62.14	0.72	37.86
1999	1.56	0.53	33.83	1.03	66.17
1998	1.84	0.45	24.63	1.39	75.38
1997	1.51	0.60	39.54	0.91	60.46

Numbers may not add due to rounding



TRADING HISTORY

Trust units of APF are traded on the Toronto Stock Exchange under the symbol AY.UN. At year-end 2002 there were 22,942,417 units outstanding (December 31, 2001 – 15,583,880). The weighted average units outstanding throughout the year were 20,470,210 (December 31, 2001 – 12,578,032). In February 2003, through the acquisition of Hawk Oil Inc., the Trust issued 3,990,474 units. In April 2003 the Trust issued 5,300,000 units through a public offering bringing the number of units outstanding to 32,232,891. The following table sets forth the high, low and closing prices as well as the average daily volume traded for the periods indicated:

Period	High	Low	Close	Avg. Vol/d
1997	$ 10.70	$ 8.75	$ 9.10	9,600
1998	$ 9.75	$ 7.65	$ 8.00	4,900
1999	$ 9.70	$ 7.25	$ 8.10	9,500
2000	$ 10.40	$ 7.00	$ 9.75	10,000
2001	$ 13.40	$ 8.75	$ 9.85	46,500
2002				
First quarter	$ 10.99	$ 9.35	$ 10.85	64,900
Second quarter	$ 11.19	$ 10.08	$ 10.58	68,200
Third quarter	$ 10.89	$ 10.11	$ 10.65	57,400
Fourth quarter	$ 10.71	$ 9.00	$ 9.79	84,300
2003				
First quarter	$ 10.95	$ 9.66	$ 10.30	104,800

CORPORATE GOVERNANCE

APF Energy Trust is committed to ensuring its governance structure provides unitholders with the highest degree of confidence that its business and operations are being undertaken with the unitholders' interests in mind.

The proof of this dedication is reflected in APF's performance year after year, and is the result of very strong stewardship from APF's Board of Directors, the majority of whom are not related to management.

With the recently completed internalization of management, all directors, including those who are related to management, will be elected by the unitholders. In prior years, unitholders had the right to elect a majority of the Board of Directors, while the manager could elect the minority. The current APF Board, set at five members, will be expanded to six, all of whom will be elected at this year's unitholders' meeting. Expansion of the Board will further enhance the efficacy of the Trust's corporate governance structure as APF continues to grow.

Although the APF Board will grow in size, it is committed to ensuring that it does not lose any of its nimbleness, a distinguishing trait since inception. With the execution of merger and acquisition opportunities as one of APF's focal points, it is critical that the Board has the expertise and ability to quickly assess a possible acquisition.

APF's Board meets regularly to discuss the Trust's operations and business. Where circumstances warrant, additional meetings are scheduled to deal with time-sensitive or special business. Excluding monthly meetings to set the cash distribution, APF's Board of Directors will meet eight to 10 times per year. This would include quarterly meetings during which senior management makes a detailed presentation outlining all major operational and financial aspects of the business, for both the recently-completed period and the forward-looking time frame. In addition, the unrelated directors meet to discuss issues outside the presence of the Trust's two senior officers, who also sit on the Board.

Complementing the Board as a whole are its various committees, each of which is comprised either-exclusively or largely of unrelated directors. Currently, there are three committees: Audit, Reserves and Compensation. As we believe corporate governance is an area which should be monitored by the Board as a whole, there is no separate corporate governance committee.

HEDGING

As a royalty trust, a critical component to APF's cash management lies in mitigating the risk inherent in a commodity-based business. Given that cash flow is distributed to unitholders on a monthly basis, APF's long-term success is contingent on providing a stable stream of distributions and, when circumstances warrant, increasing those distributions.

Although many investors hold units of APF because they want to participate directly in commodity prices, a significant number of them want to mitigate the volatility associated with the energy sector. To date, APF has demonstrated its ability to effectively manage that risk through commodity hedging, principally through forward sales.

Given APF's continued growth, the Board of Directors has determined that guidelines regarding hedging should now be promulgated, so that unitholders of APF and other interested parties can more clearly understand how APF manages commodity risk.

One of the key assumptions in the preparation of APF's annual budget and forecast of annual distributions is commodity price. APF in the past has adopted GLJ price forecast. APF's goal is to ensure that a portion of the year's distributions, based on certain commodity price assumptions, are protected. In other words, if the January 1 GLJ price forecast estimates the current year's crude oil price to average US$25.50 per barrel, APF would look for an opportunity to sell forward a portion of its production at that level or better.

While this guideline necessarily implies that commodity prices may rise, it must be acknowledged that commodity prices may fall. In that regard, in situations where prices are below those forecasted by GLJ, management's expertise is relied on to ensure that potential opportunities to mitigate that difference are taken advantage of.

As GLJ updates its forecast throughout the year, a new benchmark is established, which in turn will provide price guidance for hedging during the next period.

APF believes that in the ordinary course of business, not more than 40% of production volumes should be hedged. At that level, there is both downside protection, as well as the ability to participate in the upside. The appropriate measurement should be the average production during the quarter, rather than daily, weekly or monthly. As a result of price variations in the futures markets from month-to-month, it may be

appropriate to hedge more than 40% of a certain month's production volumes, while hedging fewer volumes in the other two months.

There may be other circumstances where tactical considerations may require APF to hedge more than 40% of production volumes. For example, in order to take advantage of an acquisition opportunity, it might be necessary to lock in prices on certain volumes greater than 40%. In those circumstances, however, it is expected that exceeding the maximum guideline would only be for a limited period, generally not exceeding six to 12 months. Accordingly, approval would be sought from both the Board and our lenders.

As for the time horizon, it is expected that most forward contracts would not be entered into for periods beyond 12 months.

In order to mitigate the potential credit risk of any counter-parties, all transactions are completed with either a Schedule 1 or Schedule 2 chartered bank, with preference given to those institutions with whom APF may already have a credit or investment banking relationship.

The only representatives authorized to transact hedging business for APF are the Chief Executive Officer, the President, or the Vice President, Finance. All contracts must be signed by any two of the aforementioned individuals.

CORPORATE SAFETY, HEALTH, ENVIRONMENT AND RISK POLICY

APF's Safety, Health, Environmental and Risk Policy outlines our dedication to achieving the highest standard of performance. It represents a commitment to foster a corporate culture that proactively anticipates and avoids accidents and environmental incidents.

Acknowledging that this area is an integral part of all business activities, APF has a full-time staff member dedicated to ensuring all our objectives are met. The Safety and Environmental Coordinator reports directly to the Vice President, Operations. Together with the President, these three individuals form the Health, Safety and Environmental Committee, which provides quarterly updates to the Board of Directors of APF in which all issues are discussed.

The following principles guide APF's conduct in achieving its safety, health, environmental and risk management objectives:

- APF will comply with, or exceed where appropriate, all the requirements of applicable laws and regulations with respect to the environment.
- APF will ensure the employees and contract personnel, and others who provide services to APF, are aware of this Policy and implement it.
- APF will assess the potential impact of new projects on our employees and contract personnel, those who provide services to APF, affected persons and the environment, so that effective control measures, including appropriate construction, operating and maintenance procedures are developed and implemented.
- APF will periodically assess all our operations to identify and evaluate safety, health and environmental risks. The results will be acted upon and communicated to our senior management and Board of Directors.
- APF will identify and monitor all sources of emissions, discharges, and waste generation in our operations to ensure the use of sound operating practices to facilitate business planning, and to support pollution prevention.
- APF will promptly report all accidents and potential accidents, to ensure the use of safe operating practices in all our operations.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion should be read in conjunction with the audited consolidated financial statements included in this annual report.

Alan MacDonald,
Vice President, Finance

PRODUCTION

Production volumes were 46% higher in 2002, primarily as a result of the acquisition of Kinwest Resources Inc. ("Kinwest") and its joint venture partner in May 2002, and the full impact of acquisitions in 2001. The Kinwest acquisition added production in APF's core area of southeast Saskatchewan. Natural production declines were offset by production increases from successful development drilling programs primarily at Queensdale, Carlyle and Tatagwa in southeast Saskatchewan and at Countess in southeast Alberta. The acquisition of production in the Paddle River area closed on December 12, 2002 and the effect of the increased production will be fully recognized in 2003. Production in 2003 will also increase with the 2003 acquisitions of Hawk Oil Inc. in February and the expected closing of Nycan Energy Corp. in April.

Daily Production Volumes	2002	2001	% Change
Crude oil (bbl/d)	5,307	3,167	68
Natural gas (mcf/d)	18,488	15,391	20
NGLs (bbl/d)	144	100	44
Total (boe/d)	8,532	5,832	46

MARKETING

In 2002, APF's production mix was 64% crude oil and NGLs, and 36% natural gas. Crude oil was sold under 30-day evergreen contracts while approximately 53% of natural gas production was sold to aggregators pursuant to long-term contracts, with the remaining 47% sold on the spot market.

PRICES

The benchmark West Texas Intermediate ("WTI") oil price averaged US$26.09 per bbl in 2002, 1% higher than the 2001 average of US$25.94. Crude oil prices in Canada are based on the WTI reference price, adjusted for transportation, differentials and foreign exchange. The price received by APF is based upon the refiners' posted price, less transportation and adjustments for APF's product quality relative to the posted price and adjusted for hedging. APF's oil price averaged $33.66 per bbl in 2002, compared to $33.64 per bbl in 2001.

Crude oil prices averaged US$33.80 per bbl through the first quarter of 2003, due primarily to supply concerns emanating from world events. The uncertainty over crude oil supplies has recently diminished and we have seen a reduction in prices to approximately US$28.00 per bbl. APF expects crude oil prices will continue to be volatile during 2003, but will still exceed the average for 2002.

APF's realized natural gas price for 2002 averaged $3.83 per mcf, 22% lower than the average realized price of $4.94 per mcf in 2001. The benchmark AECO price in Alberta fell by an average of 35 per cent from 2001

levels. However, during the 2002/03 winter season, storage volumes have been drawn down to very low levels as a result of cold temperatures in much of North America, resulting in gas prices being driven up to unusually high levels. APF expects higher gas prices during 2003 as supply concerns dominate the market.

Prices – After Hedging	2002	2001	% Change
Crude oil (Cdn$/bbl)	33.66	33.64	0
Natural gas (Cdn$/mcf)	3.83	4.94	(22)
NGLS (Cdn$/bbl)	25.15	30.97	(19)
Total (Cdn$/boe)	29.65	31.94	(7)

HEDGING

Commodity prices continued to be volatile during 2002. APF actively manages commodity price risk by entering into hedging contracts to protect revenues from fluctuations in commodity prices. Hedging is intended to provide stability to cash distribution levels by fixing the price on a portion of the production portfolio. Hedging activities reduced revenues by $3.9 million, reducing the realized oil price by $2.16 per bbl and increasing the natural gas price by $0.04 per mcf. Going forward, APF has the following hedges in place:

Period	Commodity	Type of Contract	Average Daily Quantity	Average Hedged Price
January to March 2003	Crude oil	Swap	1,367 bbls	US$29.83/bbl
January to March 2003	Crude oil	Collar	1,700 bbls	US$24.82/bbl to US$27.85/bbl
January to March 2003	Natural gas	Collar	2,000 GJ	C$4.00/GJ to C$7.80/GJ
January to December 2003	Natural gas	Swap	1,000 GJ	C$5.80/GJ
April to June 2003	Crude oil	Swap	2,833 bbls	US$28.40/bbl
April to October 2003	Natural gas	Swap	1,000 mmbtu	US$5.06/mmbtu
April to December 2003	Natural gas	Swap	5,000 GJ	C$6.72/GJ
July to September 2003	Crude oil	Swap	2,667 bbls	US$27.79/bbl
October to December 2003	Crude oil	Swap	1,167 bbls	US$27.54/bbl

REVENUE

Revenue, net of hedging transactions, increased 34% to $94.0 million in 2002 compared to $69.9 million in 2001, due to a combination of higher production volumes partially offset by lower natural gas prices.

(000 except per boe amounts)	2002	%	2001	%
Crude oil sales	$69,390	74	$37,256	53
Natural gas sales	25,534	27	29,485	42
NGLs sales	1,320	1	1,136	2
Hedging	(3,899)	(4)	161	0
Other	1,676	2	1,886	3
Total Revenue	94,021	100	69,924	100
Per boe	$ 30.19		$ 32.85	

ROYALTIES

Royalties per barrel of oil equivalent produced were lower in 2002 due primarily to lower natural gas prices resulting in a lower crown royalty rate under the price-sensitive Alberta Crown royalty program.

(000 except per boe amounts)	2002	2001	% Change
Crown royalties	$ 10,905	$ 7,236	51
Freehold royalties	6,323	4,602	37
Overriding royalties	1,479	1,526	(3)
Total Royalties	18,707	13,364	40
% of revenue after hedging	19.9%	19.1%	4
Per boe	$ 6.01	$ 6.28	(4)

OPERATING COSTS

Operating costs increased 3% in 2002 to $6.35 per boe, due primarily to initial field optimization costs on newly acquired properties and higher energy costs. Continued high energy costs and general higher field costs associated with APF's current property portfolio are expected to negate any operating efficiencies initiated to reduce operating costs in 2003.

(000 except per boe amounts)	2002	2001	% Change
Operating costs	$ 19,748	$ 13,086	51
Per boe	$ 6.35	$ 6.15	3

NETBACKS

The operating netback for 2002 was $17.83 per boe, 13% lower than the $20.42 per boe experienced in 2001 and reflects the 22% decline in natural gas prices during the year.

($/boe)	2002	2001	% Change
Net revenue (after hedging)	30.19	32.85	(8)
Royalties	6.01	6.28	(4)
Operating costs	6.35	6.15	3
Netback	17.83	20.42	(13)

GENERAL AND ADMINISTRATIVE

General and administrative costs increased 38% in absolute terms over 2001 due to the significant increase in the asset base during 2002, but decreased 6% per barrel of oil equivalent produced.

(000 except per boe amounts)	2002	2001	% Change
General and administrative	$ 4,635	$ 3,360	38
Per boe	$ 1.49	$ 1.58	(6)

MANAGEMENT FEE

The Manager received a management fee equal to 3.5% of net production revenue. Management fees increased 31% in 2002 due to the 46% increase in production volumes and the resulting impact on production revenues. Management fees were eliminated with the internalization of the management contract at the end of 2002. In 2003 and future years, no management fees will be charged.

(000 except per boe amounts)	2002	2001	% Change
Management fee	$ 1,976	$ 1,503	31
Per boe	$ 0.63	$ 0.71	(10)

INTEREST

Interest expense decreased 7% during 2002 due to lower interest rates and lower average debt levels. At December 31, 2002, APF had fixed the interest rate on $30 million of debt at an average rate of 3.76% plus applicable stamping fee, with $10 million maturing May 2003 and $20 million maturing November 2003.

(000 except per boe amounts)	2002	2001	% Change
Interest	$ 2,834	$ 3,048	(7)
Per boe	$ 0.91	$ 1.43	(36)

DEPLETION AND AMORTIZATION

Depletion and amortization increased 4% to $9.70 per boe in 2002, reflecting the current cost of acquisitions being higher than the historical average cost.

(000 except per boe amounts)	2002	2001	% Change
Depletion and amortization	$30,200	$ 19,779	53
Per boe	$ 9.70	$ 9.29	4

SITE RESTORATION

Site restoration increased 10% to $0.67 per boe in 2002, reflecting the increase in future estimated costs for site restoration liabilities from 2002 acquisitions.

(000 except per boe amounts)	2002	2001	% Change
Site restoration	$ 2,087	$ 1,293	61
Per boe	$ 0.67	$ 0.61	10

TAXES

Saskatchewan capital tax and federal large corporations tax increased 62% in 2002 and reflected the higher proportion of business in the province of Saskatchewan and higher paid up capital.

Future income taxes are recorded on corporate acquisitions to the extent the book value of assets acquired exceeds the tax basis. This future income tax liability increases the book cost of the assets acquired. This future income tax liability will not be paid by APF Energy, but will instead be passed on to unitholders along with the income. Accordingly, this income tax liability will reduce each year and will be recognized as an income tax recovery at that time. In 2002, APF recorded a recovery of income taxes of $7.13 million

compared to $5.17 million in 2001, leaving a balance of $39.6 million in future income taxes payable at December 31, 2002.

(000 except per boe amounts)	2002	2001	% Change
Capital and other taxes	$ 1,901	$ 1,172	62
Per boe	$ 0.61	$ 0.55	11
Recovery of future income taxes	$ (7,133)	$ (5,174)	38

INTERNALIZATION OF MANAGEMENT CONTRACT

On December 18, 2002, the unitholders approved the internalization of management and effective December 31, 2002, the Trust acquired all of the shares of APF Energy Management Inc. The acquisition resulted in the elimination of all management fees including the 3.5% fee on net operating income, a structuring fee of 1.5% on acquisitions and dispositions, and the 1% residual royalty.

The total purchase price of the shares, including transaction costs, was $10.9 million, of which $4.6 million was paid in cash and $6.3 million was paid with Trust units, a portion of which are subject to certain escrow provisions. Of the total, $7.3 million was recorded as an expense at December 31, 2002.

(000 except per boe amounts)	2002	2001
Internalization of management contract	$ 7,297	$ –
Per boe	$ 2.31	$ –

NET EARNINGS

Earnings were down 37% to $11.4 million or $0.55 per Trust unit ($0.55 diluted) in 2002 compared to $18.1 million or $1.44 per Trust unit ($1.44 diluted) in 2001. Lower natural gas prices and the cost associated with the internalization of the management contract more than offset higher production volumes.

CASH DISTRIBUTIONS

Cash distributions for 2002 were $37.8 million, or $1.81 per Trust unit, compared to $37.3 million or $2.98 per Trust unit in 2001. The discrepancy between amounts earned and distributions paid to unitholders relates to the timing of the recognition of revenue for accounting purposes. During 2002, APF funded $5.1 million of capital expenditures from cash flow, resulting in a payout ratio of 88%. For 2003, APF intends to maintain its historical policy of retaining a portion of available cash flow to fund capital expenditures and development initiatives, with a target payout ratio of 80%.

LIQUIDITY AND CAPITAL RESOURCES

At December 31, 2002, APF had a revolving demand credit facility in the amount of $100 million, with a borrowing base of $100 million, of which $88 million was drawn. On February 5, 2003, the credit facility was amended to a revolving committed line of credit with a committed amount of $130 million and a borrowing base of $130 million. The ratio of net debt to total capitalization at the end of 2002 was 28% (28% in 2001).

December 31	2002	2001
Long-term debt ($000)	88,000	59,250
Working capital/(deficiency) ($000)	409	949
Net debt ($000)	87,591	58,301
Units outstanding (000)	22,942	15,584
Market price ($)	9.79	9.85
Market capitalization ($000)	224,602	153,502
Enterprise value ($000)	312,193	211,803
Net Debt to Total Capitalization (%)	28	28

UNITHOLDERS' EQUITY

At December 31, 2002, APF had 22.94 million Trust units outstanding and a market capitalization of approximately $224.6 million.

In February 2002, APF issued 3.25 million Trust units at $9.75 per Trust unit for gross proceeds of $31.7 million. These funds were initially used to reduce bank debt and ultimately to partially finance the Kinwest acquisition. APF also issued 3.39 million Trust units as part of the Kinwest acquisition and accounted for these at a price of $10.65 per Trust unit.

During 2002, 61,177 Trust units (112,424 in 2001) were issued pursuant to the Trust unit incentive plan for total proceeds of $0.5 million ($1.0 million in 2001).

Effective December 31, 2002, APF acquired all of the outstanding shares of APF Energy Management Inc., the Manager of APF. As part of the consideration, 661,850 Trust units were issued of which 293,930 are held in escrow, 150,526 are releasable over a three-year period and 143,404 are releasable over a four-year period. The Trust units held in escrow are eligible for distributions.

On April 2, 2003, APF closed the issue of 5.30 million Trust units at a price of $10.40 each for gross proceeds of $55.1 million.

BUSINESS RISKS

APF is faced with a number of business risks that are inherent in the oil and gas industry and which can have an impact on distributions to unitholders. To mitigate these risks, APF follows appropriate policies and procedures in its ongoing operations and long-term strategic planning.

Financial and market risks associated with commodity prices and foreign currency exchange rates are mitigated through APF actively managing the sale of its own production to maximize price and through the use of a hedging program to hedge commodity prices and foreign currency rates with credit-worthy counterparties. Hedging is employed as a risk management tool and not for speculation. Interest rates can be fixed through interest rate swaps.

There are inherent operational risks associated with oil and natural gas production, relating to the ability to produce, process and transport oil and natural gas; the ability to replace production and maintain reserves and environmental and safety risks associated with well and production facilities. To mitigate these risks, APF employs a strategy of operating a significant portion of its production, thereby providing

greater control over operations; APF employees and contractors adhere to APF's safety program and stay current on changes to operating practices, and APF maintains insurance coverage to minimize the impact of operational losses.

APF's ability to grow is dependent upon its ability to raise debt and equity capital in the Canadian capital markets. APF has lines of credit with three Canadian financial institutions that provide debt financing for acquisitions. The issue of new equity allows APF to pay down debt while continuing to make acquisitions. If Canadian debt or equity markets were to become inaccessible to APF, it may affect the ability of APF to continue to replace production and maintain distributions.

Changing government royalty regulations, income tax laws, incentive programs relating to the oil and gas industry and changes in securities legislation are all examples of regulatory changes that can affect APF's activities.

Sensitivities to 2003 cash distributions are as follows:

	($000)	Per Trust Unit
Crude oil price – US$1/bbl	3,022	$ 0.10
Natural gas price – CDN$0.10/mcf	981	$ 0.03
US/CDN exchange rate – $0.01	1,992	$ 0.07
Interest rate – 1.0%	979	$ 0.03
Crude oil production – 100 bbl/d	676	$ 0.02
Natural gas production – 1 mmcf/d	1,130	$ 0.04

These sensitivities include the issue of 5.30 million new Trust units in April 2003 and assumes the acquisition of Nycan closes at the end of April 2003.

OUTLOOK

The acquisitions of Kinwest, Hawk Oil and the soon to close Nycan Energy, have enhanced the property portfolio of APF. With a market capitalization of more than $300 million, production in excess of 13,000 boe/d and established reserves of 44 mmboe following the acquisition of Nycan, APF is well positioned to build for the future.

APF's growth will continue from its strategy of buying well and exploiting its land base through low-risk development drilling, recompletions and field optimizations. APF expects to spend $20 million on these initiatives in 2003.

APF is committed to pursuing acquisitions that will be accretive on a per unit basis to cash flow, production, reserves and net asset value. Despite the current volatility in the commodity markets due to world events, APF is committed to maintaining stable cash distributions over the long-term and believes that the outlook for both crude oil and natural gas pricing remains strong.

REPORTS TO UNITHOLDERS

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

Management is responsible for the preparation of the consolidated financial statements and the preparation of all other financial information included in the annual report. The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles, and where applicable, amounts based on management's best estimates and judgment.

Management has established procedures and systems of internal control designed to provide reasonable assurance that assets are safeguarded and that accurate financial information is produced in a timely manner.

The Board of Directors is responsible for reviewing and approving the consolidated financial statements and, through its Audit Committee, ensuring that management fulfills its responsibilities for financial reporting. The Audit Committee meets periodically with management and the external auditors to satisfy itself that each party is properly discharging its responsibilities. The Audit Committee reviews the consolidated financial statements and recommends their approval to the Board of Directors. PricewaterhouseCoopers LLP, an independent firm of Chartered Accountants, appointed by the unitholders of APF Energy Trust, have audited the consolidated financial statements in accordance with Canadian generally accepted auditing standards. PricewaterhouseCoopers LLP have full and free access to the Audit Committee.

Martin Hislop
Chief Executive Officer

Alan MacDonald
Vice President, Finance

Calgary, Alberta
April 2, 2003

AUDITORS' REPORT

TO THE UNITHOLDERS OF APF ENERGY TRUST

We have audited the consolidated balance sheets of APF Energy Trust as at December 31, 2002 and 2001 and the consolidated statements of operations and accumulated earnings, cash flows and cash distributions and accumulated cash distributions for the years then ended. These financial statements are the responsibility of the Trust's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Trust as at December 31, 2002 and 2001 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants

Calgary, Alberta
April 2, 2003

CONSOLIDATED BALANCE SHEETS

As at December 31	2002 $	2001 $
ASSETS		
Current assets		
Cash	950,402	2,042,909
Accounts receivable	21,111,316	9,979,202
Other current assets	2,778,962	2,376,422
	24,840,680	14,398,533
Site restoration fund	783,778	29,389
Goodwill (note 7)	11,475,761	–
Property, plant and equipment (note 5)	260,526,682	183,748,484
	297,626,901	198,176,406
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	16,943,193	10,024,004
Due to APF Energy Management Inc. (notes 8 and 13)	3,923,164	1,087,685
Cash distribution payable	3,564,891	2,337,582
	24,431,248	13,449,271
Future income taxes (note 12)	39,624,685	29,430,306
Long-term debt (note 8)	88,000,000	59,250,000
Site restoration liability (note 6)	6,227,096	3,637,539
	158,283,029	105,767,116
UNITHOLDERS' EQUITY		
Unitholders' investment account (note 10)	214,405,160	141,068,870
Accumulated earnings	35,588,861	24,224,117
Accumulated cash distributions	(110,650,149)	(72,883,697)
	139,343,872	92,409,290
	297,626,901	198,176,406

Contingencies and commitments (note 16)

Approved on behalf of the Board,

Director

Director

CONSOLIDATED STATEMENTS OF OPERATIONS AND ACCUMULATED EARNINGS

For the years ended December 31	2002 $	2001 $
Revenue		
Oil and gas	92,344,559	68,038,666
Royalties expense, net of ARTC	(18,707,274)	(13,363,789)
Other	1,676,257	1,885,657
	75,313,542	56,560,534
Expenses		
Operating	19,747,770	13,086,271
General and administrative (note 13)	4,634,877	3,360,236
Management fee (note 13)	1,976,054	1,503,291
Interest on long-term debt	2,833,841	3,047,933
Depletion and amortization	30,200,479	19,778,736
Site restoration	2,087,066	1,292,645
Capital and other taxes	1,901,296	1,172,302
Internalization of management contract (note 8)	7,297,325	–
	70,678,708	43,241,414
Income before income taxes and minority interest	4,634,834	13,319,120
Recovery of future income taxes (note 12)	(7,133,279)	(5,173,528)
Income before minority interest	11,768,113	18,492,648
Minority interest (note 13)	403,369	348,984
Net income	11,364,744	18,143,664
Accumulated earnings – Beginning of year	24,224,117	6,080,453
Accumulated earnings – End of year	35,588,861	24,224,117
Net income per unit – Basic and diluted	0.55	1.44

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31	2002 $	2001 $
Cash provided by (used in)		
Operating activities		
Net income for the year	11,364,744	18,143,664
Items not affecting cash		
Depletion and amortization	30,200,479	19,778,736
Minority interest	403,369	348,984
Future income taxes	(7,133,279)	(5,173,528)
Internalization of management contract	7,036,629	–
Site restoration	2,087,066	1,292,645
Site restoration expenditures (note 6)	(170,611)	(395,611)
	43,788,397	33,994,890
Net change in non-cash working capital items		
Accounts receivable	(7,993,847)	339,583
Other current assets	(327,747)	(992,615)
Accounts payable and accrued liabilities	6,536,962	(2,412,295)
Due to related party/APF Management	(1,087,685)	401,697
Cash distribution payable	1,227,309	766,923
	(1,645,008)	(1,896,707)
Site restoration fund reserve	(754,389)	(29,389)
Cash distributions	(37,766,452)	(37,310,851)
	3,622,548	(5,242,057)
Investing activities		
Purchase of Alliance Energy Inc.	–	(38,866,268)
Kinwest Acquisition	(17,361,190)	–
Additions to property, plant and equipment	(20,978,686)	(16,224,837)
Purchase of oil and natural gas properties	(28,574,217)	(47,569,698)
Proceeds on sale of properties	10,569,331	6,903,199
Changes in non-cash working capital items – accounts payable	(560,244)	3,957,190
	(56,905,006)	(91,800,414)
Financing activities		
Issue of units for cash	32,250,016	78,394,000
Issue of units for cash upon exercise of stock options	553,982	990,492
Unit issue costs	(1,860,678)	(5,080,804)
Proceeds on issue of long-term debt – net	21,650,000	25,064,445
Distribution to 1% minority interest	(403,369)	(348,984)
	52,189,951	99,019,149
Change in cash during the year	(1,092,507)	1,976,678
Cash – Beginning of year	2,042,909	66,231
Cash – End of year	950,402	2,042,909

Supplemental information (note 15)

CONSOLIDATED STATEMENTS OF CASH DISTRIBUTIONS AND ACCUMULATED CASH DISTRIBUTIONS

For the years ended December 31	2002	2001
	$	$
Oil and gas sales	92,344,559	68,038,666
Other	1,676,257	1,885,657
Gross overriding royalties and lessors' royalties	(7,802,341)	(6,128,274)
	86,218,475	63,796,049
Less		
Operating costs	19,747,770	13,086,271
General and administrative	4,316,930	2,893,732
Management fees	1,976,054	1,503,291
Debt service charges (including interest and principal)	2,833,841	3,047,933
Site restoration fund contribution	925,000	425,000
Capital and other taxes	1,901,296	1,172,302
Capital expenditures funded from cash flow	5,143,562	–
	36,844,453	22,128,529
Income subject to the Royalty	49,374,022	41,667,520
99% of income subject to the Royalty	48,880,283	41,250,845
Crown charges, net of Alberta Royalty Tax Credit	(10,795,884)	(7,163,159)
General and administrative costs of the Trust	(317,947)	(466,504)
	37,766,452	33,621,182
Repayment of capital	–	3,689,669
Cash distributed and available to be distributed	37,766,452	37,310,851
Cash distributed to date	34,201,561	34,973,269
Cash distribution payable	3,564,891	2,337,582
Actual cash distribution declared per unit	1.81	2.98
Opening accumulated cash distributions	72,883,697	35,572,846
Distribution declared and paid	34,201,561	34,973,269
Distribution declared and payable	3,564,891	2,337,582
Closing accumulated cash distributions	110,650,149	72,883,697

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2002 and 2001

NOTE 1 BASIS OF PRESENTATION

APF Energy Trust (the "Trust")
The Trust is an open ended investment trust formed under the laws of the Province of Alberta. The beneficiaries of the Trust (the "Unitholders") are holders of royalty units issued by the Trust (the "Units").

APF Energy Inc. ("Energy")
Energy was incorporated and organized for the purpose of acquiring, developing, exploiting and disposing of oil and natural gas properties, including certain initial properties and granting a royalty thereon to the Trust.

APF Energy Limited Partnership ("LP")
The LP was formed for the purpose of acquiring, developing, exploiting and disposing of oil and natural gas properties and granting a royalty thereon to the Trust.

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES

Consolidation
These consolidated financial statements include the accounts of the Trust, Energy and the LP and are referred to as "APF". Although there is no legal ownership between these entities, Energy and the LP through the royalty, effectively transfer all of the economic benefits of their operations to the Trust. The Unitholders also have the right to elect a majority of the directors of Energy.

Property, plant and equipment – oil and natural gas
APF follows the full cost method of accounting. All costs of acquiring oil and natural gas properties and related development costs are capitalized and accumulated in a cost centre. Maintenance and repairs are charged against earnings, and renewals and enhancements, which extend the economic life of the property, plant and equipment are capitalized. No general and administrative costs have been capitalized.
Gains and losses are not recognized upon disposition of oil and natural gas properties unless such a disposition would alter the rate of depletion by 20% or more.

Ceiling test
APF places a limit on the aggregate cost of capital assets which may be carried forward for amortization against revenues of future periods (the "ceiling test"). The ceiling test is a cost recovery test whereby the capitalized costs less accumulated depletion, site restoration and future taxes are limited to an amount equal to estimated undiscounted future net revenues from proven reserves based on year end prices, plus the unimpaired costs of non-producing properties less estimated future general and administrative expenses, site restoration costs, management fees, financing costs and income taxes related to Energy that are not passed on to the Trust. Future distributions to Unitholders whether or not they are required under the Trust Indenture are not considered as future financing costs for purposes of the ceiling test. Costs and prices at the balance sheet dates are used. Any costs carried on the balance sheet in excess of the ceiling test amount are charged to earnings.

Depletion and amortization
The provision for depletion and amortization of oil and natural gas assets including tangible equipment is calculated using the unit-of-production method based on the estimated working interest share of proven reserves before royalties. Reserves are converted to equivalent units on the basis of approximate relative energy content.

Site restoration and abandonment
The provision for estimated site restoration costs is determined using the unit-of-production method. Actual site restoration costs are charged against the accumulated provision.

Other equipment
All other equipment is carried at cost and is depreciated over the estimated useful life of the assets at annual rates varying from 10% to 30%.

Goodwill
Goodwill represents the excess of purchase price over fair value of net assets received and is assessed at least annually for impairment. The amount of the impairment is determined by deducting the fair value of APF's

assets and liabilities from the fair value, to determine the implied fair value of goodwill and comparing that amount to the book value of APF's goodwill. Any excess of the book value of goodwill over the implied fair value of goodwill is the impaired amount.

Joint ventures
Substantially all oil and natural gas production and exploitation activities are conducted jointly with others. Accordingly, the accounts reflect APF's proportionate interest in these activities.

Trust per unit calculations
The Trust has applied the treasury stock method to determine the dilutive effect of stock options and other dilutive instruments. Under the treasury stock method, only "in the money" dilutive instruments impact the diluted calculations.
The per unit income calculations are based on the weighted average number of units outstanding during the period. (2002 – 20,470,210 units; 2001 – 12,578,032 units). The dilutive per unit calculations were based on additional incremental units of 57,569 from the incentive plans for a total of 20,527,779 (2001 – 29,928 and 12,607,960 units respectively).
Cash distributions declared per unit amount is based on actual distribution for units outstanding at the time of declaration.

Hedging
The Trust uses financial instruments and physical delivery commodity contracts from time to time to reduce its exposure to fluctuations in commodity prices, foreign exchange rates and interest rates. Gains and losses relating to these transactions are deferred and recognized in the financial statement category to which the hedge relates at the time the underlying commodity is sold or when the positions are settled.

Cash distributions
Cash distributions are calculated on an accrual basis and are paid to the Unitholders based upon funds available for distribution.

Trust unit-based compensation plan
The Trust has a fixed Trust Unit option plan which is described in note 11. No compensation expense is recognized for this plan when Trust Units or Trust Unit options are issued to employees. Any consideration paid by employees on exercise of Trust Unit options or purchase of Trust Units is credited to Unitholders' investment account.

Income taxes
The Trust is an inter vivos trust for income tax purposes. As such, the Trust is taxable on any taxable income which is not allocated to the Unitholders. The Trust intends to allocate all taxable income to Unitholders. Should the trust incur any income taxes, the funds available for distribution will be reduced accordingly. Provision for income taxes is recorded in Energy at applicable statutory rates. Provision for income taxes is recorded in Energy using the liability method of accounting whereby the future income tax effect of any difference between the accounting and income tax basis of an asset or liability is booked.

Management estimates
The consolidated financial statements include certain management estimates that may require accounting adjustments based on future occurrences. The most significant estimates relate to depletion, amortization and ceiling test calculations for capital assets including future abandonment liabilities as they are based on engineering reserve estimates and estimated future costs.

NOTE 3 CHANGE IN ACCOUNTING POLICY

Effective January 1, 2002, APF adopted the recommendations of the Canadian Institute of Chartered Accountants ("CICA") on accounting for stock-based compensation which apply to rights granted on or after January 1, 2002. APF does not record any compensation cost on grants to employees and directors.
The exercise price of the rights granted under APF's rights plan may be reduced in future periods in accordance with the terms of the rights plan. The amount of the reduction cannot be reasonably estimated as it depends upon a number of factors including, but not limited to, future prices received on the sale of oil and natural gas, future production of oil and natural gas, determination of amounts to be withheld from future distributions to fund capital expenditures and the purchase and sale of natural gas properties. Therefore it is not possible to determine a fair value for the rights granted under the rights plan.
As it is not possible to determine the fair value of rights granted under the plan, compensation cost for proforma disclosure purposes has been determined based on the excess of the unit price over the exercise price

at the date of the financial statements. For the year ended December 31, 2002, the charge to net income for the estimated cost associated with rights granted under the plan on or after January 1, 2002 would be $137,021.

Effective January 1, 2001, the treasury stock method was adopted for calculating diluted earnings per unit. Under this method, all in the money options are assumed issued and the proceeds from exercise are assumed to be used to purchase units at the average market price during the year. The incremental units are included in the denominator of the diluted earnings per unit calculation. The impact of the adoption of the new standard resulted in no change to the diluted net income per share.

NOTE 4 ROYALTY

The Royalty is granted to the Trust pursuant to the Royalty Agreement. The Royalty consists of an entitlement to 99% of Royalty Income. The Royalty does not constitute an interest in land and the Trust is not entitled to take its share of production in kind.

"Royalty Income" means Net Production Revenues less the aggregate of the Debt Service Charges (including principal and interest), Management Fees (to the extent Other Revenues are insufficient to pay the Management Fees), G&A and taxes (including income taxes) or other applicable charges payable by Energy, less any advances made pursuant to the credit facilities of Energy to fund the payment of such costs and charges, which included changes to the working capital reserve and which, after July 1, 1998, provides for a working capital reserve to be maintained in Trust.

"Net Production Revenue" means:

a) the amount received by Energy in respect of the sale of its interest in all Petroleum Substances produced from the Properties, together with net profit or loss from commodity price swaps (but not including ARTC, proceeds of disposition of Properties or Other Revenues);

less:

b) Operating Costs and all other expenditures paid or payable by or on behalf of Energy in respect of operating the Properties including, without limitation, the costs of gathering, treating, compressing, processing, transporting and marketing all Petroleum Substances produced from the Properties and all other amounts paid to third parties which are calculated with reference to production from the Properties including, without limitation, gross overriding royalties and lessors' royalties, but excepting Crown Royalties and other applicable charges;
c) capital expenditures intended to improve or maintain production from the Properties, (but not to acquire Additional Properties or Replacement Properties), in excess of amounts borrowed or designated as Deferred Purchase Obligations in respect thereof, but not in excess of 10% of the annual net cash flow from the Properties;
d) net contributions to Energy's Site Restoration Fund and the Cash Reserve;
e) costs otherwise reimbursed by proceeds of business interruption, property damage and third party liability insurance less any such proceeds;
f) costs of generating Other Revenues; and
g) amounts required to be paid to the Trustee pursuant to the Trust Indenture, including, without limitation, amounts to be paid pursuant to indemnification provisions.

Energy and the LP are required to pay to the Trust on each Cash Distribution Date, 99% of Royalty Income received by Energy and the LP from the Properties for the period ending on the last day of the month immediately preceding the Cash Distribution Date.

The Trust pays Energy and the LP 99% of the Crown Royalties and other Crown charges in respect of production from or ownership of the Properties. Energy and the LP are at all times entitled to set off their right to be so reimbursed against its obligation to pay the Royalty.

Energy and the LP use Other Revenues to pay Management Fees, purchase Permitted Investments, pay for Additional Properties, Replacement Properties and capital costs, for net losses, if any, from currency swaps and for general corporate purposes, or to repay borrowing for such purposes.

NOTE 5 PROPERTY, PLANT AND EQUIPMENT

	2002 $	2001 $
Property, plant and equipment	340,188,499	233,209,822
Accumulated depletion and depreciation	(79,661,817)	(49,461,338)
	260,526,682	183,748,484

Costs associated with unproved properties excluded from costs subject to depletion as at December 31, 2002 amounted to $7,934,000 (2001 – $4,928,000).

NOTE 6 SITE RESTORATION

Energy and the LP are responsible for future site restoration costs on all properties. At December 31, 2002 the future undiscounted estimated costs for the site restoration liabilities were $29,858,000, of which $6,227,096 has been provided for. The current year provision was $2,087,066 (2001 – $1,292,645).
A site restoration fund was established to fund future site reclamation and abandonment costs. Contributions to the site restoration fund during the year totalled $925,000 (2001 – $425,000) and have been deducted in calculating the income subject to the royalty. Expenditures for site restoration activities in 2002 were $170,611 (2001 – $395,611).

NOTE 7 ACQUISITIONS

a) **Kinwest Energy Inc.**
Effective May 30, 2002, Energy acquired all of the issued and outstanding shares of two private corporations, Kinwest Energy Inc. ("Kinwest") and Kinwest's joint venture partner (collectively the "Kinwest Acquisition"). The transaction has been accounted for as a business acquisition with the allocation of the purchase price and consideration paid as follows:

	2002 $
Net assets acquired at assigned values	
Bank overdraft	(3,045,701)
Other working capital	1,641,226
Property, plant and equipment	63,483,000
Goodwill	11,475,761
Debt assumed	(7,100,000)
Site restoration liability	(673,102)
Future income taxes	(15,410,013)
Total net assets acquired	50,371,171
Financed by	
Cash	13,042,044
Trust units issued (3,385,510 trust units)	36,055,682
Acquisition cost – due to related party	838,642
Acquisition costs	434,803
Total consideration	50,371,171

b) **Alliance Energy Inc.**
Effective April 11, 2001, Energy acquired all of the outstanding shares of Alliance Energy Inc. ("Alliance"). In aggregate the purchase price was satisfied by the payment of $35.3 million in cash, the issuance by the Trust of 0.9 million Trust Units at a deemed price of $10.05 per Trust Unit and the assumption of $8.45 million of debt.
Prior to Energy entering into an agreement to acquire Alliance, Alliance had agreed to acquire certain producing properties from an arm's length third party. The total consideration after adjustments was $42.5 million.
The acquisition of Alliance, excluding the properties noted above which are included in purchase of oil and natural gas properties, were accounted for using the purchase of an asset method of accounting with net assets acquired and consideration paid as follows:

	2001 $
Net assets acquired at assigned values	
Bank overdraft	(1,453,135)
Working capital deficiency	(1,172,881)
Capital assets	88,098,535
Long-term debt	(8,450,000)
Future income taxes	(29,950,852)
Provision for site restoration costs	(597,464)
Total net assets acquired	46,474,203
Financed by	
Trust units issued (901,599 trust units)	9,061,070
Bank financing	35,328,536
Acquisition costs – due to related party	701,143
Acquisition costs	1,383,454
Total consideration	46,474,203

NOTE 8 INTERNALIZATION OF MANAGEMENT CONTRACT

On December 18, 2002, Unitholders approved the acquisition of APF Energy Management Inc. (the "Manager"), effective December 31, 2002. The total cost included $9.25 million to purchase the management contract, plus the cost of acquiring the working capital of the Manager and related transaction costs. Total consideration for the transaction consisted of a cash payment of $3.9 million and the issuance of 608,185 Trust Units to the shareholders of the Manager as detailed below:

	2002 $
Net assets acquired	
Cash	418,801
Working capital	629,363
Property, plant and equipment	4,512,104
Future income taxes	(1,917,644)
	3,642,624
Internalization of management contract expensed	7,297,325
	10,939,949
Total consideration	
Cash	3,923,164
Trust units (608,185 trust units)	6,337,288
Transaction costs	679,497
Total purchase price	10,939,949

Although the transaction did not close until January 3, 2003, all of the major conditions, including unitholder and regulatory approval, had been obtained by December 31, 2002. Accordingly, the transaction has been accounted for in 2002.

The consideration is to be paid through the issue of Trust Units is partially subject to escrow restrictions. In the case of Mr. Martin Hislop, Chief Executive Officer, 100% of the 150,526 Trust Units to be issued are subject to escrow for 3 years, released as to one third on each anniversary date of the transaction. In the case of Mr. Cloutier, President and Chief Operating Officer, 80% of the 125,590 Trust Units to be issued are subject to escrow for 4 years, released as to one quarter on each anniversary date of the transaction. The remaining Trust Units to be issued to non-management shareholders of the Manager were not subject to escrow restrictions. Retention bonuses paid by the Manager to three other officers were used to subscribe for 53,665 Trust Units at a price of $10.482 per Trust Unit at closing. These Trust Units are subject to the same escrow restrictions as those Trust Units issued to the President.

Prior to the acquisition, APF paid fees to the Manager equal to 3.5% of net production revenue, structuring fees of 1.5% on the purchase price of acquisitions and dispositions, as well as the right to the residual 1% royalty. The internalization resulted in the elimination of all such fees under the management agreement.

NOTE 9 LONG-TERM DEBT

	2002 $	2001 $
Bank loans	88,000,000	59,250,000

At December 31, 2002, APF had a revolving demand credit facility with a syndicate of Canadian resident financial institutions. The total facility of $100.0 million was limited to the borrowing base as determined from time to time by the lenders, which at December 31, 2002 was $100.0 million. The facility may be drawn down or repaid at any time but there are no scheduled repayment terms. The debt bears interest based on a sliding scale tied to APF's debt to cash flow ratio, from a minimum of the bank's prime rate plus 0.125% to a maximum of the prime rate plus 1.5% (2001 – bank prime plus 0.125% to 1.5%) or where available, at Banker's Acceptances rates plus a stamping fee of 1.125% to 2.5% (2001 – 1.125% to 2.5%). The debt is collateralized by a $125.0 million demand debenture containing a first fixed charge on all the petroleum and natural gas assets of APF and an assignment of book debts and material gas contracts. At December 31, 2002, the rate was bank prime of 4.5% plus 0.25%.

On February 5, 2003, in conjunction with the acquisition of Hawk Oil Inc. (note 16), APF and its lenders amended the credit facility to enable APF to extend the revolving period for an additional 364 days by giving notice to the lenders no earlier than 180 days and no less than 90 days prior to the end of the revolving period. If the revolving period is not extended, the outstanding principal will be converted to a one-year non-revolving term loan commencing on the day immediately following the end of the then current revolving period. During the one-year term period, APF will pay 1/6th of the outstanding principal on the 180th day after the commencement of the one-year term period and 1/12th of the outstanding principal on the 90th day thereafter. The total facility was increased to $130.0 million, with a borrowing base on February 5, 2003, of $130.0 million. The debt will bear interest based on a sliding scale tied to APF's debt to cash flow ratio, from a minimum of the bank's prime rate plus 0.125% to a maximum of the prime rate plus 1.625%, or where available, at Banker's Acceptances rates plus a stamping fee of 1.125% to 2.00%. The debt will be collateralized by a $175.0 million demand debenture containing a first fixed charge on all the petroleum and natural gas assets of APF and an assignment of book debts and material gas contracts.

NOTE 10 UNITHOLDERS' INVESTMENT ACCOUNT

	2002		2001	
	Units	Amounts $	Units	Amounts $
Balance – Beginning of year	15,583,880	141,068,870	7,139,357	57,704,112
Issued to acquire Alliance	–	–	901,599	9,061,070
Issued for Kinwest Acquisition	3,385,510	36,055,682	–	–
Issued for cash	3,303,665	32,250,016	7,430,500	78,394,000
Cost of units issued	–	(1,860,678)	–	(5,080,804)
Units reserved for issuance (note 8)	608,185	6,337,288	–	–
Issued under the Trust Unit Incentive Plan	61,177	553,982	112,424	990,492
	22,942,417	214,405,160	15,583,880	141,068,870

The holders of Units are entitled to vote at any meeting of the Unitholders.

In 1999, the Trust created a Unitholders' Rights Plan and authorized the issuance of one right in respect of each Unit outstanding. Each right would allow Unitholders in specified circumstances, to acquire, on payment of an exercise price of $50.00, the number of Units having an aggregate market price equal to twice the exercise price of the rights.

NOTE 11 TRUST UNIT INCENTIVE RIGHTS PLAN

Pursuant to a Trust Unit Incentive Plan dated December 17, 1996 and amended February 1, 1998 (the "Plan"), employees and directors may be granted options to acquire Units of the Trust. The exercise price for each option was the market price of the Units at the time the option was granted. Options granted prior to February 1, 1998 vested immediately, while options granted on or after February 1, 1998 vest in one-third increments on the first, second and third anniversaries of their grant. The maximum term for each grant of options is five years. This Plan was terminated in 2001 and replaced with a new Trust Unit Incentive Rights Plan ("Rights Plan").

Under the Rights Plan, employees and directors may be granted rights to purchase Units of the Trust. The initial exercise price of rights granted under the Rights Plan may not be less than the current market price of the Trust Units as of the date of the grant and the maximum term of each right is not to exceed ten years. The exercise price is to be adjusted downwards from time to time by the amount, if any, that distributions to Unitholders in any calendar quarter exceed a percentage of APF's net book value of property, plant and equipment, as determined by the Trust.

During the year, there were no options (276,723 in 2001) granted to employees or directors to purchase trust units pursuant to the Plan.

A summary of the status of the Plan as of December 31, 2002 is as follows:

	2002		2001	
Trust Unit Options	Units	Weighted average price $	Units	Weighted average price $
Outstanding – Beginning of year	330,540	9.32	221,407	8.38
Granted	–	–	276,723	9.94
Exercised	(58,677)	9.05	(112,423)	8.81
Forfeited	(27,834)	11.62	(55,167)	9.61
Outstanding – End of year	244,029	9.13	330,540	9.32
Options exercisable – End of year	76,488	8.72	5,704	8.17

The following table summarizes options information under the Plan outstanding at December 31, 2002:

Range of Exercise prices $	Number outstanding December 31, 2002	Weighted average remaining contractual life (years)	Weighted average exercise price $	Number exercisable December 31, 2002	Weighted average price $
7.00 – 7.99	42,568	2.18	7.15	17,902	7.15
8.00 – 9.00	18,232	1.25	8.04	17,398	8.00
9.01 – 10.00	183,229	3.16	9.70	41,188	9.70
	244,029		9.13	76,488	8.72

During the year, the Trust granted 441,233 rights (Nil in 2001) under the Rights Plan to employees and directors to purchase trust units at prices ranging from $9.73 to $10.80 per trust unit. Of these, 56,400 are subject to regulatory approval.

A summary of the Rights Plan at December 31, 2002 is as follows:

	2002	
Trust Unit Rights	Number of rights	Weighted average price $
Balance – Beginning of year	–	–
Granted	441,233	9.86
Exercised	(2,500)	9.73
Cancelled	(9,400)	9.73
Balance before reduction of exercise price	429,333	9.86
Reduction of exercise price	–	0.49
Balance – End of year	429,333	9.37

The following table summarizes information about the Rights Plan as at December 31, 2002:

Average exercise price at grant date $	Average adjusted exercise price $	Number of rights outstanding	Remaining contractual life of right (years)	Number of rights exercisable
9.86	9.37	429,333	9.24	–

NOTE 12 INCOME TAXES

Energy and the LP have approximately $60.4 million of unused tax pools at December 31, 2002 ($33.5 million – December 31, 2001) available to be used to offset future taxable income subject to certain restrictions of the *Income Tax* Act.

Energy had approximately $15.3 million in non-capital losses at December 31, 2002 ($14.6 million – December 31, 2001) of which $2.1 million expire in 2006 and the remainder through 2009.

The Unitholders are responsible for their own income taxes. Distributions are a combination of taxable income and a return of capital in the year received.

	2002 $	2001 $
Income before income taxes	4,634,834	13,319,120
Statutory tax rate	43.50%	43.95%
Expected tax provision	2,016,153	5,853,753
Effect on income tax of		
Net income of the Trust	(12,602,796)	(11,234,778)
Resource allowance	(595,472)	(211,474)
Non-deductible crown charges	47,436	32,245
Internalization of management contract	3,174,336	–
Capital tax	827,064	386,726
Provision for future income taxes	(7,133,279)	(5,173,528)

The future tax recorded on the balance sheet results from		
Capital assets in excess of tax value	46,282,019	35,838,224
Future tax losses that are likely to be utilized	(6,657,334)	(6,407,918)
	39,624,685	29,430,306

The Trust has $5,524,073 of capital loss to be used against any capital gain.

During 2002 there was $nil taxable income in the Trust (2001 – $nil).

Distributions paid are deducted from taxable income only to the extent needed to reduce taxable income in the Trust to zero. Generally, the distributions deducted for the Trust tax return are taxable income to the Unitholders.

Taxable income of the Trust is comprised of income from royalty, adjusted for crown royalties and resource allowance, less deductions for Canadian oil and natural gas property expense (COGPE), which is claimed at a rate of 10% on a declining balance basis and issue costs which are claimed at 20% per year on a straight-line basis. Any losses that occur in the Trust must be retained in the Trust and may be carried forward and deducted from taxable income for a period of seven years. The COGPE during 2002 and 2001 resulted from the purchase of royalty interests.

The amount of COGPE and issue costs remaining in the Trust are as follows:

	2002		2001	
	Per Trust Unit $	Amount $	Per Trust Unit $	Amount $
COGPE	4.08(1)	93,627,423	4.87	67,554,268
Issue costs	0.22	5,083,457	0.30	5,223,417
	4.30	98,710,880	4.90	72,777,685

(1) Per Trust Unit amount is based on the actual number of Trust Units outstanding at year end of 22,942,417, inclusive of units reserved for issuance (2001 – 15,583,880).

NOTE 13 RELATED PARTY TRANSACTIONS

The Manager managed the business of APF pursuant to a management agreement. Fees payable to the Manager for management, advisory and administrative services included a fee equal to 3.5% of Net Production Revenue and structuring fees of 1.5% on both the purchase price of acquisitions and on the net proceeds of dispositions. In 2002, fees paid or payable to Manager on Net Production Revenues were $1,976,054 (2001 – $1,503,291) and structuring fees were $1,021,610 (2001 – $1,552,295). Structuring fees were accounted for as either part of the purchase price or as a reduction of the proceeds of disposition of oil and natural gas properties.

During the year, Energy reimbursed the Manager $2,294,470 (2001 – $2,247,681) for general and administrative expenses incurred on a cost recovery basis. These amounts are included in general and administrative expenses. In addition, Energy also acquired certain non-oil and gas business assets from the Manager for $850,000.

The Manager, through its ownership of 100% of the shares of APF, was entitled to receive 1% of the royalty income derived from the Properties. The 1% minority interest is included as an expense in the consolidated statement of operations. The amounts were $403,369 for 2002 and $348,984 for 2001.

The external management structure and all related management, acquisition and disposition fees, as well as the right to the 1% royalty were eliminated December 31, 2002 (see note 8).

NOTE 14 FINANCIAL INSTRUMENTS

APF is exposed to market risks resulting from fluctuations in commodity prices, foreign exchange rates and interest rates in the normal course of operations. Derivative instruments are used by APF to reduce its exposure to fluctuations in commodity prices and foreign exchange rates. The fair values of these derivative instruments are based on an estimate of the amounts that would have been received or paid to settle these instruments prior to maturity.

The fair values of financial instruments that are included in the balance sheet, including long-term borrowings, approximate their carrying amount due to the short-term maturity of those instruments and the floating prime rate applied to long-term borrowings.

A substantial portion of APF's accounts receivable are with customers in the oil and natural gas industry and are subject to normal industry credit risks.

APF has a price risk management program whereby the commodity price associated with a portion of its future production is fixed. APF sells forward a portion of its future production through commodity swap agreements with financially sound counterparties. The following contracts were outstanding as at December 31, 2002. Based on estimated market values at December 31, 2002, had the contracts been settled at that time, APF would incur a cost of $2.6 million.

Term	Commodity	Type of contract	Average daily quantity	Average contract price	Price index
Jan. to Mar. 2003	Crude oil	Collar	1,700 bbls	US$24.82 to US$27.85	WTI
Jan. to Mar. 2003	Crude oil	Fixed price	1,200 bbls	US$29.25	WTI
Apr. to June 2003	Crude oil	Fixed price	1,833 bbls	US$26.46	WTI
July to Sept. 2003	Crude oil	Fixed price	667 bbls	US$26.46	WTI
Jan. to Mar. 2003	Natural gas	Collar	2,000 GJ	C$4.00 to C$7.80	AECO
Jan. to Dec. 2003	Natural gas	Fixed price	1,000 GJ	C$5.80	AECO

At December 31, 2002, APF had fixed the interest rate on a portion of its debt as follows:

Term	Amount	Interest rate
Jan. to May 2003	$10,000,000	3.40% plus stamping fee
Jan. to Nov. 2003	$20,000,000	3.94% plus stamping fee

The estimated market value of these interest rate contracts at December 31, 2002, had they been settled at that time, would be a cost of $0.2 million.

NOTE 15 SUPPLEMENTAL INFORMATION FOR THE STATEMENTS OF CASH FLOWS

	2002 $	2001 $
Cash payments related to certain items		
Cash payments		
Interest	2,842,585	3,265,931
Distributions to minority interests	414,776	337,877
Distributions to Unitholders	36,539,143	36,543,928
Capital taxes	2,164,850	576,829

During the year, 3,385,510 Trust Units were issued as partial consideration for the Kinwest Acquisition (2001 – 901,599 for the acquisition of Alliance).

NOTE 16 CONTINGENCIES AND COMMITMENTS

a) APF has lease commitments relating to office buildings. The estimated annual operating lease rental payments for the buildings will be $0.5 million in 2003 through 2005, $0.6 million in 2006 and $0.9 million in 2007 and 2008, the remaining term of the leases.

b) APF is involved in certain legal actions that occurred in the ordinary course of business. Management is of the opinion that losses, if any, arising from such legal actions would not have a material effect on these financial statements.

NOTE 17 SUBSEQUENT EVENTS

Acquisition of Hawk Oil Inc.
Effective February 5, 2003, APF acquired all of the issued and outstanding shares of Hawk Oil Inc. ("Hawk"). The purchase price of approximately $48.0 million was satisfied by a cash payment of $2.8 million, the issuance of 3.9 million Trust Units and the assumption of Hawk's bank debt of $9.0 million.

Offer to Purchase Nycan Energy Corp.
On March 10, 2003, APF entered into an agreement to make an offer to purchase all of the issued and outstanding shares of Nycan Energy Corp. ("Nycan") for $2.075 per share in cash. If accepted by holders of all of the Nycan shares, the offer will result in payment of approximately $36.86 million in cash and the assumption of Nycan's bank debt of approximately $7.9 million.

Agency Agreement and Prospectus Filing
APF and the Agents entered into an Agency Agreement pursuant to which the Agents agreed to offer and the Trust agreed to issue and sell up to 5,300,000 Trust Units at a price of $10.40 per Trust Unit. Closing of the offering and the issue of 5,300,000 Trust Units took place on April 2, 2003. The estimated net proceeds from the offering, after deducting expenses of the issue and after Agents' commissions will be in the amount of $52,114,000 and will be used to fund the acquisition of Nycan and repay debt.

FIVE-YEAR REVIEW

	2002	2001	2000	1999	1998
Average Daily Production					
Oil (bbl/d)	5,307	3,167	1,152	1,104	833
Natural gas (mcf/day)	18,488	15,391	13,449	13,656	15,219
NGLs (bbls/day)	144	100	254	274	303
Total (boe/day)	8,532	5,832	3,648	3,654	3,673
Annual (mboe)	3,114	2,129	1,335	1,334	1,340
Commodity Sales Prices (pre-hedge)					
Oil ($/bbl)	35.82	32.20	42.67	26.72	17.19
Natural gas ($/mcf)	3.78	5.25	4.89	2.44	1.96
NGLs ($/bbl)	25.15	30.97	35.96	18.19	16.24
Average ($/boe)	30.91	31.87	34.01	18.56	13.36
Commodity Sales Prices (post-hedge)					
Oil ($/bbl)	33.66	33.64	41.40	25.00	18.18
Natural gas ($/mcf)	3.83	4.94	4.72	2.36	2.04
NGLs ($/bbl)	25.15	30.97	35.96	18.19	16.24
Average ($/boe)	29.65	31.94	32.98	17.74	13.92
Established (proved plus risked probable) Reserves					
Crude oil & NGLs (mbbl)	20,608	13,545	5,648	6,216	7,880
Natural gas (mmcf)	68,290	50,984	46,364	41,366	46,386
Total (mboe)	31,989	22,042	13,375	13,110	15,611
Income Statement ($000)					
Revenue					
Oil and natural gas sales	92,345	68,039	44,047	23,685	18,669
Other income	1,676	1,886	928	1,022	999
	94,021	69,924	44,974	24,707	19,668
Expenses					
Crown royalties	10,905	7,236	4,405	1,899	1,732
Non-crown royalties	7,802	6,128	4,125	1,999	1,587
Operating costs	19,748	13,086	8,021	7,300	6,541
G&A	4,635	3,360	1,844	1,133	921
Management fees	1,976	1,503	993	465	337
Interest	2,834	3,048	1,882	1,955	2,079
Taxes	1,901	1,172	164	98	122
Depletion and depreciation	30,200	19,779	7,175	7,383	7,813
Site restoration	2,087	1,293	904	641	552
	82,088	56,605	29,514	22,872	21,685
Net income (after unusual items)	11,365	18,144	14,075	(4,822)	(2,183)
Bank debt	88,000	59,250	25,736	33,171	23,823
Economics ($/boe)					
Average oil & gas sales price (net of hedging)	29.65	31.94	32.98	17.74	13.92
Other income	0.54	0.89	0.69	0.77	0.75
Net selling price	30.19	32.85	33.68	18.50	14.66
Royalties	6.01	6.28	6.39	2.92	2.48
Operating costs	6.35	6.15	6.01	5.47	4.88
Netbacks	17.83	20.42	21.28	10.11	7.31
General & administrative costs	1.49	1.58	1.38	0.85	0.69
Management fees	0.63	0.71	0.74	0.35	0.25
Interest	0.91	1.43	1.41	1.47	1.55
Taxes	0.61	0.55	0.12	0.07	0.09
Site restoration	0.05	0.19	0.03	0.17	0.12
Cash flow from operations	14.14	15.97	17.59	7.20	4.60
Units Outstanding (000)					
Year-end	22,942	15,584	7,139	5,890	5,890
Average	20,470	12,578	6,888	5,890	3,774
Market					
High ($)	11.19	13.40	10.40	9.70	9.75
Low ($)	9.00	8.75	7.00	7.25	7.65
Close ($)	9.79	9.85	9.75	8.10	8.00
Average daily volume	68,700	46,500	10,000	9,500	4,900

OFFICERS

Martin Hislop – Chief Executive Officer; Director

Mr. Hislop is a chartered accountant with more than 24 years' experience in all aspects of financing and managing private and public oil and gas corporations, partnerships and trusts. Prior to founding the predecessor of APF Energy in September 1994, Mr. Hislop was the President and CEO of Lakewood Energy Inc., a TSX-listed oil and gas company which was created as a result of the amalgamation of 10 limited partnerships, for whom Mr. Hislop raised in excess of $125 million in equity between 1986 and 1992. During 1984 and 1985, he provided corporate finance consulting services to a Montreal-based investment dealer. Prior to that, Mr. Hislop was Vice President, Finance for Maxwell Cummings & Sons Holdings Ltd., a private investment company. In that capacity, he participated in the creation and/or financing of several oil and gas companies in which the Cummings group took positions, including Aberford Resources and Marline Oil. Under Mr. Hislop's stewardship, APF Energy Trust has generated an internal rate of return of 21%, placing the Trust among industry leaders.

Steven Cloutier – President and Chief Operating Officer; Director

Mr. Cloutier has more than 15 years' combined experience in oil and gas, corporate finance, mergers and acquisitions, and law. Since participating in the formation of APF Energy Trust in 1996, Mr. Cloutier has been responsible for the co-ordination of day-to-day operations of the business, and has been directly involved in oil and gas transactions worth more than $400 million. Prior to co-founding APF Energy with Mr. Hislop, Mr. Cloutier practiced law in Toronto with a medium-sized firm specializing in corporate finance and secured lending. Before that, Mr. Cloutier worked in the investment industry (1986-87). Mr. Cloutier is a graduate of the University of Victoria (Law) and McGill University (Labour Relations).

Bonnie Nicol – Vice President, Operations

Ms. Nicol is a professional engineer with 18 years' experience in the petroleum industry, and a broad range of expertise in operations, optimization and evaluations. Prior to joining APF in early 1998, Ms. Nicol was responsible for the Provost and Saskatchewan business unit of Northstar Energy Corporation, a senior oil and gas producer. Since graduating from the University of Alberta with a degree in chemical engineering, Ms. Nicol has assumed roles of increasing responsibility at several oil and gas companies. As the leader of the operations team, Ms. Nicol oversees a production base of more than 13,000 boe per day, and a technical staff which operates more than 90% of its production.

R. Kenneth Pretty – Vice President, Corporate Development & Land

Mr. Pretty is a professional landman with 21 years' experience in the oil and gas industry. After graduating with an economics degree from the University of Calgary, Mr. Pretty joined Norcen Energy's land department, where he was exposed to a broad range of mandates over a 12-year period. Mr. Pretty joined Amerada Hess in the mid-1990s in a senior land and business development position, and remained with the company following it's acquisition by Petro-Canada. In 1997, Mr. Pretty moved to Newport Petroleums as Vice President, Land, and later became Vice President, Business Development when Newport was acquired by Hunt Oil Company in 2000. He joined APF in mid-2001 and since then has been responsible for the identification, evaluation and execution of all acquisition and divestiture activities, as well as the coordination of the land function.

Alan MacDonald – Vice President, Finance

Mr. MacDonald is a chartered accountant with more than 22 years' experience in public practice and the oil and gas industry. From 1987 to 1999, Mr. MacDonald was Vice President, Finance of Starvest Capital Inc. which, among its other mandates, managed Starcor Energy Royalty Fund and Orion Energy Trust, two publicly-traded oil and gas royalty trusts. Most recently, he was Vice President, Finance of Due West Resources Inc., a private oil and gas company. In his position, Mr. MacDonald leads the team that is responsible for all financial and administrative functions for APF Energy Trust.

John Ewing – Vice President, GeoScience

Mr. Ewing is a professional geologist with more than 25 years of experience in the oil and gas industry. Following graduation with an honours degree in earth sciences from the University of Waterloo in 1978, Mr. Ewing began his career with Husky Oil. After technical and managerial positions at several oil and gas companies, Mr. Ewing joined Tethys Energy Inc. as Vice President, Exploration in 1996, where he oversaw the exploration program, which contributed to the growth of the company from 650 boe/d in late 1996 to 3,400 boe/d in the beginning of 2000. Prior to joining APF, Mr. Ewing was President of a private resources and consulting firm. In his position, Mr. Ewing is responsible for overseeing the geological and geophysical aspects of APF Energy Trust.

DIRECTORS

In addition to **Martin Hislop** and **Steve Cloutier** who are officers and directors of APF, the independent directors are:

Don Engle – Independent Director & Chairman of the Board

Board Committees: Audit; Reserves; Compensation

Mr. Engle has been President of Sapphire Resources Ltd., a private oil and gas consulting company since 1985. From 2001 to the present he has been Vice President and Director of Stag Valley Management Ltd. a company that manages private drilling funds. From 1996 to May 2000, Mr. Engle was also President of Grey Wolf Exploration Inc., a publicly traded oil and gas company listed on the Toronto Stock Exchange. In addition to his membership on the APF Board, Mr. Engle sits on the Board of Directors of Canscot Resources Ltd., which is listed on the TSX Venture Exchange. Mr. Engle is a professional landman, with more than 34 years of experience in the petroleum industry.

Daniel Mercier – Independent Director

Board Committees: Compensation

Mr. Mercier is a professional engineer with a wealth of experience in the operation, management and capitalization of oil and gas companies. Mr. Mercier has been Vice President, Operations for SOCO International plc, a publicly traded United Kingdom corporation engaged in international oil and natural gas exploration and production since September, 1998. Prior to that, he was Chairman, Chief Executive Officer and a Director of Territorial Resources, Inc., an oil and gas exploration company which merged with SOCO. From January of 1996 to March of 1996, Mr. Mercier was employed by Chancellor Energy Resources Inc. as Chief Operating Officer to assist with the sale of the company to HCO Energy Ltd. Prior to January of 1996, he was President and Chief Executive Officer of Canadian Conquest Explorations Inc.

William Dickson – Independent Director

Board Committees: Audit; Reserves

Mr. Dickson brings to APF Energy Trust more than 40 years' of technical, management and public company experience in the oil and gas industry. He is active as principal of Arlyn Enterprises Ltd., a private lubricants company, and serves on the Boards of APF Energy Trust, Murias Energy Corporation and IMS Petroleum Ltd. Previously, he has held senior executive or operating positions with Myriad Energy Corporation, 3D Reclamation Inc., Stampeder Exploration Ltd. and Ultramar Oil and Gas Ltd.

CORPORATE INFORMATION

HEAD OFFICE

2100, 144 – Fourth Avenue S.W.
Calgary, Alberta T2P 3N4
Tel: (403) 294-1000
Toll Free: (800) 838-9206
Fax: (403) 294-1074
E-mail: invest@apfenergy.com
www.apfenergy.com

DIRECTORS AND OFFICERS

Don Engle
Independent Director and
Chairman of the Board(1)(2)(3)

William Dickson
Independent Director(1)(3)

Daniel Mercier
Independent Director(2)

Martin Hislop
Director(1)
Chief Executive Officer

Steven Cloutier
Director, President and Chief Operating Officer

Alan MacDonald
Vice President, Finance

Bonnie Nicol
Vice President, Operations

Ken Pretty
Vice President, Corporate Development and Land

John Ewing
Vice President, GeoScience

(1) Member of Audit Committee

(2) Member of Compensation Committee

(3) Member of Reserves Committee

FIELD OFFICE

400 King Street
Estevan, Saskatchewan S4A 2B4
Tel: (306) 634-0066
Fax: (306) 634-0077

LEGAL COUNSEL

Parlee McLaws, LLP

BANK

National Bank of Canada

ENGINEERING CONSULTANTS

Gilbert Laustsen Jung Associates Ltd.

TRUSTEE, REGISTRAR AND TRANSFER AGENT

Computershare Trust Company of Canada

AUDITORS

PricewaterhouseCoopers LLP

STOCK EXCHANGE LISTING

The Toronto Stock Exchange
Symbol: AY.UN

THE APF TEAM

Beaudry, Jesse
Bilben, Julie-Anne
Boston, Angela
Boyle, Sheila
Brown, Sandra
Cartwright, Ryan
Cherniwchan, Barry
Clark, Melissa
Cloutier, Steve
Cu, Freddie
Davies, Mike
Doherty, Eugene
Donais, Gwen
Etcheverry, Bob
Ewing, John
Faryna, Kevin
Gardner, Naomi
Gilchrist, Margaret
Green, Naomi
Guse, Jane
Guterson, Christina
Heather, Murray
Himmelspach, Darcy
Hislop, Martin
Hudson, Leora
Ilett, Kim
James, Rick
Kolakovic, Almira
MacDonald, Alan
MacMahon, Gordon
Mah, Mary Jane
Morris, Pat
Newman, Kevan
Nicol, Bonnie
Palacz, Chris
Palma, Elizabeth
Piekarska, Violetta
Polay, Karen
Ponto, Mike
Pretty, Ken
Radulescu, Simona
Rampersaud, Heather
Rice, Paula
Ryan, Murray
Schindel, Butch
Schlichenmayer, Pat
Skjonsby, Brian
Skjonsby, Merlin
Snyder, Dave
Stephens, John
Sylvestre, Reg
Tan, Selina
Thompson, Jason
Vrooman-Robertson, Marilyn
Ward, Don
Wilshusen, Bob
Wu, Dilia
Young, Lisa

ABBREVIATIONS

ARTC	Alberta Royalty Tax Credit
bbl	barrel
bbls	barrels
bbl/d	barrels per day
boe	barrels of oil equivalent (6 mcf = 1 bbl)
boe/d	barrels of oil equivalent per day
Established Reserves	proved reserves plus one-half probable reserves
mbbl	thousand barrels
mboe	thousand barrels of oil equivalent
mcf	thousand cubic feet
mcf/d	thousands of cubic feet per day
mmcf	million cubic feet
mmcf/d	millions of cubic feet per day
mmbtu	million British thermal units (1 mmbtu = 1 mcf)
NGL	natural gas liquids
NPV	net present value

APF ENERGY TRUST

2100, 144 Fourth Avenue SW, Calgary, AB T2P 3N4

Tel (403) 294-1000

Toll Free (800) 838-9206

Fax (403) 294-1074

E-mail: invest@apfenergy.com

www.apfenergy.com